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NVESTIGATION OF RAILROADS

LETTER FROM
THE CHAIRMAN OF THE INTERSTATE
COMMERCE COMMISSION

TRANSMITTING, PURSUANT TO SENATE RESOLUTIONS OF JUNE 10 AND JULY 2, 1913, REPORTS RELATIVE TO INVESTIGATION OF THE PURCHASE BY THE ST. LOUIS & SAN FRANCISCO RAILROAD OF THE CHICAGO & EASTERN ILLINOIS RAILROAD AND THE SUBSEQUENT RECEIVERSHIP OF BOTH OF SAID COMPANIES, AND THE PURCHASE BY THE ST. LOUIS & SAN FRANCISCO RAILROAD CO. OF THE ST. LOUIS, BROWNSVILLE & MEXICO RAILROAD

January 26, 1914.—Referred to the Committee on Interstate Commerce and ordered to be printed

WASHINGTON
GOVERNMENT PRINTING OFFICE
1914

LETTER OF TRANSMITTAL.

Interstate Commerce Commission,
Washington, January 26, 191

Sir: I have the honor to present herewith, in one pamphlet, reports of the Interstate Commerce Commission responsive to Senate resolutions of June 10 and July 2, 1913, relative to invest tion of the purchase by the St. Louis & San Francisco Railroa the Chicago & Eastern Illinois Railroad and the subsequent recei ship of both of said companies, and the purchase by the St. L & San Francisco Railroad Co. of the St. Louis, Brownsvill Mexico Railway.

Respectfully submitted.

Edgar E. Clark,
Chairma

The President of the Senate of the United States,
Washington.

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LETTER OF SUBMITTAL.

Interstate Commerce Commission,
Washington, D. C., January 20, 1914.

he President of the Senate of the United States.

r: I have the honor to submit the following reports of the Inter-
e Commerce Commission responsive to the Senate resolutions
ted herein. The various transactions reported are segregated
er chapters and subdivisions. Certain of the transactions fre-
ntly affect two or more companies, which, while maintaining inde-
dent corporate existence, are really parts of the system. This
necessarily involves more or less repetition of certain facts.
Senate resolutions do not call for expressions of opinion or recom-
dations, hence the reports are substantially limited to a presen-
on of facts.

espectfully submitted.

Edgar E. Clark, *Chairman.*

RESOLUTION IN THE SENATE OF THE UNITED STATES JUNE 10, 1

Resolved, That the Interstate Commerce Commission investig if it has not the evidence on hand, and report to the Senate all facts and circumstances concerning the purchase of the Chicag Eastern Illinois Railroad by the St. Louis & San Francisco Rail Company, and the subsequent receivership of both railroads, s information to contain the amount paid per share for both com and perferred stock of the Chicago & Eastern Illinois Railroad by St. Louis & San Francisco Railroad Company; the time of the i ance of such stock and the amount thereof; guaranties, if any, m with reference thereto; amount of bonds issued by the St. Loui San Francisco Railroad Company at the time of the purchas the said Chicago & Eastern Illinois Railroad; the location of holders of said bonds; the amount of the same held in this cou and abroad; and all the facts and circumstances involved in any in the transactions between said railroad companies; and all facts and circumstances leading up to said receiverships, and progress of said receiverships to date; also the names and the italization and bond issues of all railroad and bridge companies trolled by said St. Louis & San Francisco Railroad Company; time of such acquisitions, how acquired, amount of bonds issue the time of such acquisition, and all facts or circumstances invol in such purchase or control.

No. 5933.

THE MATTER OF THE RECEIVERSHIPS OF THE ST. LOUIS & SAN FRANCISCO RAILROAD COMPANY AND THE CHICAGO & EASTERN ILLINOIS RAILROAD COMPANY.

January 20, 1914.

PORT OF THE COMMISSION TO THE SENATE OF THE UNITED STATES.

THE COMMISSION:

The Commission has the honor to submit the following report in npliance with resolutions of the Senate dated June 10, and July 2, 13:

LOUIS & SAN FRANCISCO RAILROAD COMPANY, GENERAL FACTS.

A receiver for the St. Louis & San Francisco Railroad Company, reinafter referred to as the Frisco, was applied for on May 27, 1913, a petition signed by James Campbell, vice president and director that company and president of the North American Company, of w York. The basis of the petition was default on a six months' per cent note issued to the North American Company by the Frisco, e April 21, 1913, for $625,000, upon which a payment of $225,000 s made subsequently to its due date and prior to May 27, 1913.

While this indebtedness was the nominal cause of the receivership, e true cause was the inability of the Frisco to meet the payment of e principal of its two-year 5 per cent notes, dated June 1, 1911, e June 1, 1913, amounting to $2,250,000, which had been sold to S. Mosely & Company, of Boston. These notes were secured by ,500,000 par value of Frisco-Chicago & Eastern Illinois Railroad mpany common-stock trust certificates, and $1,490,000 Frisco-ansas City, Fort Scott & Memphis preferred-stock trust certificates, ich were pledged as collateral security therefor with the Old Coly Trust Company of Boston.

The collateral underlying the note upon which the default occurred s deemed insufficient by the holders thereof, and on May 20, 1913, the demand of Campbell that the Frisco deposit additional collat-al, $5,000,000 of the capital stock of the New Mexico & Arizona

Land Company and $200,000 in Frisco-New Orleans, Texas & Me division bonds were placed under the note as additional security. stock of the New Mexico & Arizona Land Company stood jointl the names of W. F. Evans and F. H. Hamilton, respectively cou and treasurer of the Frisco. The lands consisted of more t 1,000,000 acres, located in the States named. The certificates w indorsed for transfer, the resignations of F. H. Hamilton and A ander Douglas, the latter being vice president in charge of the counting department, as directors were effected upon instructi from Vice President Hillard, and J. P. Newell and W. F. Reed, ployees of James Campbell, were elected directors in their stead.

Had the Campbell note been the only obligation that the Fr was compelled to meet it doubtless would have liquidated the debtedness, as the cash balance of the company on May 27, 19 amounted to $603,859.06. But owing to the other maturing obl tions which it was unable to meet, a receivership, the inevita result of the Frisco's financial operations, and which at best co be deferred but for a short time, was applied for.

The inability of the Frisco to meet its obligations seems to h been apparent for some time prior to the application for a recei ship. Strenuous efforts were made by its officers to obtain fu necessary to tide over its financial difficulties from day to d Money was borrowed from all available sources, until it appeared t every avenue through which assistance might be secured had b exhausted. All marketable securities were either sold or pledged collateral under the numerous loans. A statement prepared by treasurer of the company dated April 19, 1913, shows that the e mate of receipts and requirements of the company over May 1 wo result in an apparent deficiency of $749,880, and it appears that th were in the hands of that official on April 12 unpaid vouchers agg gating $1,681,000. On May 27 the unpaid vouchers amounted $2,233,635.59.

Notwithstanding this apparent exhausted financial condition a inability to meet obligations without recourse to further borrowi the Frisco sold to Speyer & Company of New York, shortly before t receivers were appointed, $3,000,000 of its general lien 5 per ce bonds, French series, at a price of 78. The dates of such sales we

Apr. 24, 1913	$1,000,000
May 2, 1913	1,000,000
May 10, 1913	500,000
May 14, 1913	500,000
Total	3,000,000

The sale of securities to the investing public through the bank at a time when every appearance indicated the insolvency of t

ng company, invites and warrants condemnation of all those who sted or participated in such sale. Speyer & Company should e been aware of the poverty of the Frisco and of its difficulties in ining funds, as they advanced that company on April 24 $725,000 ts demand note, and $50,000 on its demand note dated April 29, applied the proceeds of the sale of $1,000,000 of these bonds on 2 to the liquidation of these notes.

Vhile the Frisco was compelled to borrow funds from every avail- source it continued its policy of advancing money to companies exas, as is evidenced by advances made to A. T. Perkins, trustee ne Brownsville Street & Interurban Railroad and San Benito & Grande Valley Railway. The sums advanced to him during the l year 1913 to the date of the receivership amounted to $924,464.11, e $110,297.53 was also advanced to him for the construction of Victoria and the Heyser-Austwell extensions on the lines of the Louis, Brownsville & Mexico Railway.

nder date of May 24, 1913, the Frisco paid to A. T. Perkins as tee of the New Iberia Syndicate, $50,000 in cash, and executed ne-year 6-per-cent note dated May 1, 1913, for $1,493,088.83 and -per-cent demand note for $950,000, as the purchase price of the Iberia & Northern Railroad and the Iberia, St. Mary & Eastern road, in conformity with an agreement dated September 1, 1911. Frisco had acquired in May, 1912, the syndicate interest of B. F. kum in these properties by purchasing his subscription to the licate plus 7 per cent interest thereon, amounting to $212,698.24. Yoakum was paid $12,698.24 in cash and was given a note for),000, dated May 6, 1912, which was paid in cash November 6, 2.

he difficulties of the Frisco were of a financial and not of an rating character, as, despite the increase in the net operating me from $2,332,158.52 for the year ended June 30, 1897, to 677,437.33 for 11 months of the fiscal year 1913, the surplus of me available for dividends in 1897 was $331,065.94, while on 27, 1913, there was a deficit of $1,069,915.60. Had it not been book charges covering the loss on the operation of south Texas s for 11 months of the fiscal year 1913, amounting to $1,219,293.21, amortized discount of $943,222.38, there would have been a lus of $1,092,599.99, or an increase in surplus for the 1913 period the year 1897 of $761,534.05. The operating income for the nonths of 1913 was $9,345,278.81 greater than that for the full of 1897.

he absorption of the increased net operating income is accounted by charges of $3,140,610.94, covering the cost of the lease of the isas City, Fort Scott & Memphis Railway, the Kansas City, nphis & Birmingham Railroad, and the Kansas City, Memphis

Railway & Bridge Company; and by the increase in interest on fu debt from $1,994,488 for the year ended June 30, 1897, to $10, 788.55 as of June 30, 1913, an increase of $8,690,300.55.

The gross earnings per mile of road operated increased from $5 for the year ended June 30, 1897, to $8,306 for the 11 months e May 27, 1913, and the net earnings per mile increased during same period from $2,159 to $2,733, an increase of $574, while funded debt interest per operated mile increased from $1,716 fo year ended June 30, 1897, to $2,253 for the year ended June 30, 1 an increase of $537.

The ratio of operating expenses to gross revenues increased 58.30 per cent for 1897 to 67.17 per cent for 1912, which ratio fo last period does not indicate a relatively excessive cost of operatio

Freight earnings per mile of road increased from $3,857.77 fo year ended June 30, 1897, to $5,465.31 for the year ended Jun 1912, while during the same period the revenue per ton-mile decre from $0.01111 to $0.00992. An increase in traffic and opera revenues had been secured, but the benefits thereof had been abso by increased interest charges.

The insolvency of the Frisco may be attributed to various ca

First. Disproportionate capitalization.

Second. The acquisition of new lines.

Third. The financing by the Frisco of the New Orleans, Tex Mexico Railroad and other south Texas lines.

Fourth. The desire for an entrance into Chicago, Ill., resultin the assumption of heavy fixed charges in the acquisition of the s of the Chicago & Eastern Illinois Railroad.

Fifth. The sale of its securities at prices so low as to indica deplorably weakened credit or an extravagant arrangement bankers to whom large profits accrued in the purchase of the b and the subsequent sale of same to the public.

Sixth. Miscellaneous causes, among which are the payment of dends upon its preferred stock in spite of its weakened credit need of money, poor investments and expensive rentals, an which are the investment in the New Orleans Terminal Comp stock in the Kirby Lumber Company, and rentals paid the Craw Mining Company.

DISPROPORTIONATE CAPITALIZATION.

The total capital of the Frisco on May 27, 1913, amounte $295,633,933.72, of which $51,364,100 was capital stock and $2 269,833.72 was funded debt including equipment trust notes. ital stock was 17.37 per cent of the total capital liability, w funded debt amounted to 82.63 per cent.

rom the following comparison it will be observed that the interest-ing liabilities of the Frisco exceeded the stock liability by 375 per and were wholly disproportionate when compared with the capi-ation of other carriers, including those in the territory west of the issippi River.

Railroad.	Funded debt.	Capital stock.	Ratio of funded debt to capital liability.
uern [1]	$230,213,000.00	$180,000,000.00	56.12
ans City Southern [1]	47,926,000.00	51,000,000.00	48.45
n Fe	339,965,045.00	284,373,500.00	54.45
ouis Southwestern	60,366,750.00	36,500,000.00	62.32
isuri, Kansas & Texas	126,682,346.19	76,300,300.00	62.41
ric	230,654,187.80	176,271,300.00	56.68
ensylvania	260,803,607.33	453,877,900.00	36.49
oc Island	225,125,000.00	74,877,200.00	75.04
Total	1,521,735,936.32	1,333,200,200.00	53.65

[1] June 30, 1913; other quotations as of June 30, 1912.

he excessive issue by the Frisco of interest-bearing securities ead of capital stock may be due in part to the requirement of the te of Missouri that capital stock of railroads may not be sold at than par, while no such restriction is placed upon the sale of bonds. s also customary in issuing additional capital stock to deal with stockholders for a portion, at least, of the new issue, while the oosition of bonds is usually a transaction with banks or bankers vhom profits accrue.

ACQUISITION OF NEW LINES.

n 1897 the officials of the Frisco entered upon an era of territorial ansion and acquisition of new lines which apparently were con-icted with the understanding or confident belief that the Frisco ıld purchase them upon completion. The mileage of the Frisco June 30, 1897, consisted of 1,162 miles, the property having been uired from the reorganization committee in connection with the eivership of 1896.

During the 10 years to June 30, 1907, 15 additional lines, located ncipally in the State of Oklahoma, were purchased. The mileage s acquired aggregated 2,375 miles. Some 15 miles of the original eage were turned over to the Paris & Great Northern; making a al owned mileage, including new extensions, of 3,523 miles. These litional lines were acquired at a cost of approximately $62,000,000. ce 1907 the expansion of the Frisco is represented by an addition 15 miles of leased lines and trackage. This indicates that the abil-of the Frisco to finance additional construction had reached its it, or that the policy of the company had been changed.

Owing to the consolidation of the revenues and expenses of acqu lines with those of the parent company, an effort to deter whether or not the lines purchased have been profitable investm must be limited to an analysis of the records of the Frisco as a wl

The sums paid for the properties in excess of the actual const tion costs of same are not known. The costs that are shown in records of the Frisco represent merely the cost to that comp The records of the bonuses, grants, awards, donations, and syndi profits are presumably contained in the records of the syndicates furnished the funds for the construction companies, and the c plete data were not available in this examination. The prope thus acquired are detailed with others under the caption "Franc and property" in another section of this report.

In the acquisition of those properties divers means were emplc to finance the transactions. In some cases cash was paid for securities of the company purchased, the Frisco being eventu reimbursed for such expenditures by receiving from the truste the refunding or the general lien mortgages, upon a certification m to the trustee by the officials of the Frisco, bonds to equal the purcl price of the new line or in such amount as was provided in the te of the mortgage.

In some instances the securities of the Frisco were exchanged those of the railroad company that had constructed the line chased. In the acquisition of the St. Louis, Memphis & Southeas Railroad the bonds of that company and the underlying issues o constituent companies, approximating $16,000,000 outstanding at time, were assumed by the Frisco.

It appears of record through statements secured from St. Louis Union Trust Company, syndicate manager for syndic that financed the construction of a number of properties which w subsequently sold to the Frisco, and which statements were in p supported by the testimony of witnesses, that a number of li acquired by the Frisco were purchased by that company at pr which afforded large profits to the syndicate subscribers and tr companies. Among the subscribers to these syndicates were vari officials of the Frisco, including B. F. Yoakum, chairman of the bo of directors, as well as officers of the St. Louis Union Trust Compa A description of the syndicate operations with respect to financ the construction of a number of lines and the sale of such proper to the Frisco, including the names of the officials of the latter co pany who were subscribers to and participated in the profits of syndicate, follows:

OKLAHOMA CITY & WESTERN RAILROAD COMPANY.

syndicate composed of 51 members was formed October 15, 1901, t a proposed subscription of $2,148,000 for the construction of this Of the original amount proposed, $2,097,043.95 was subscribed, on the completion of the line on March 10, 1903, the property was to the Frisco at a price which netted the subscribers a profit of 6,278.82. The officers of the Frisco who participated as subscribers in this syndicate were:

Name.	Amount subscribed.	Profit.
Beggs	$15,000	$2,223.91
Parker	20,000	2,963.88
inckley	20,000	2,963.88

ST. LOUIS, SAN FRANCISCO & NEW ORLEANS RAILROAD COMPANY.

syndicate was formed in July, 1902, for the purpose of financthe construction of this line, with a proposed subscription of 00,000, all of which was paid in. The syndicate was dissolved ovember, 1903, and the subscribers were given $5,888,888.88 in cent bonds of the St. Louis, San Francisco & New Orleans Rail Company and $1,060,000 of the preferred stock of the same pany. These securities were later refunded through subsequent rity issues of the Frisco on the basis of 90 for the bonds 79 for the preferred stock of the St. Louis, San Francisco & New ans Railroad, resulting ultimately in a profit to the syndicate of ,400. The common stock, amounting to $6,021,000, was deed to the Frisco without any further compensation. The o officials and directors connected with this syndicate were:

Name.	Amount subscribed.	Profit.
iel Thayer	$400,000	$63,200
Pierce	500,000	79,000
Co	850,000	134,300
Campbell	175,000	27,650
Bixby	50,000	7,900

ST. LOUIS & GULF RAILROAD COMPANY.

syndicate composed of 50 members was formed April 10, 1902, urchase this property, with a proposed subscription of $2,700,000, f which was paid in. B. F. Yoakum was the only official of the co interested in this syndicate. He subscribed and paid in 000, and received $113,187.45 as his portion at the dissolution he syndicate. In addition to this amount, he obtained an addial profit of $28,000 through the purchase of nine small properties

which were consolidated with the St. Louis & Gulf Railroad, and w
he with others had purchased and sold to the syndicate.

The St. Louis & Gulf Railroad was subsequently consolidated
the St. Louis, Memphis & Southeastern Railroad and sold to the Fr
the latter company assuming the bonds outstanding against
property.

The syndicate received $4,920,000 of the bonds of the St. Lou
Gulf Railroad, $173,000 of which the syndicate used to defra
expenses. The balance was exchanged for 4½ per cent bonds o
St. Louis, Memphis & Southeastern Railway on a basis of $903.3
each bond of the old company, netting to the syndicate bonds o
St. Louis, Memphis & Southeastern Railway of a par valu
$4,288,123.17, which were marketed through Harvey Fisk & C
pany for $4,085,696.52 cash. This amount was distributed to
syndicate subscribers, resulting in a profit to them of $1,385,696.5

ST. LOUIS & OKLAHOMA CITY RAILROAD COMPANY.

A syndicate composed of 35 members was formed December
1897, for the purpose of financing the construction of this railr
The proposed amount of $1,000,000 was paid in, and the prop
was sold to the Frisco in April, 1899, for $1,868,700, $264,494.5
which was due contractors for construction of the road and for
cellaneous expenses. Interest and cash received from other sou
aggregated $51,944.58, and $1,656,150 was distributed to the
scribers, resulting in a profit to them of $656,150.

It does not appear of record that any officials of the Frisco
connected with this syndicate, or with the Indianola Construc
Company, which constructed the line.

ST. LOUIS, OKLAHOMA & SOUTHERN RAILWAY COMPANY.

An agreement was executed under date of January 10, 1
between Johnson Brothers & Faught and the St. Louis, Oklahom
Southern Railway for the construction of this line. The contrac
were to receive $5,500,000 in capital stock, and bonds in the sum
$22,500 per mile, but not to exceed the sum of $4,500,000 in bo
On January 23, 1900, the contractors agreed to sell these bond
three trust companies and two individuals, one of whom was B
Cheney, a director of the Frisco. This contract provided that
trust companies and individuals referred to were to take the bond
78½ per cent of their par value, payment to be made on call as
work progressed. The bonds were guaranteed by the Frisco,
which it received the capital stock without further compensat
The amount subscribed by B. P. Cheney was $389,026.37, his pro
tion of the bonds being $495,575.

he bonds of the St. Louis, Oklahoma & Southern Railway were sned by the Frisco in the acquisition of that line and were subsetly refunded by the Frisco through its issue of refunding bonds ie basis of 95 for the bonds of the old company. This transaction ted ultimately in a profit to the trust companies and individuals lved of $719,574.90.

ARKANSAS VALLEY & WESTERN RAILROAD COMPANY.

syndicate composed of 61 members was formed June 16, 1902, urchase the securities of the Arkansas Valley & Western Railroad. proposed subscription was $3,190,000, of which $3,046,635 was in by the subscribers. The property was sold to the Frisco on ch 1, 1904, for $3,825,000, payable one-third in cash and twods in notes, which were subsequently paid in cash. In the hase price, however, $215,865 was due the contractor, and 57 was due the syndicate for expenses, leaving, of the purchase e and interest on syndicate deposits, to be divided among the cribers $3,636,402.32, a profit to the subscribers of $589,767.32. ne director and five employees of the Frisco were subscribers to syndicate, the amounts of their subscriptions and profits thereon g as follows:

Name.	Amount subscribed.	Profit.
Cheney	$59,493.72	$11,515.79
Beggs	29,746.86	5,757.89
Hamilton	9,518.96	1,842.57
Hinckley	29,746.86	5,757.89
Parker	118,987.43	23,031.56
Spaulding	29,546.87	5,757.88

IBERIA & NORTHERN RAILROAD COMPANY AND IBERIA, ST. MARY & EASTERN RAILROAD COMPANY.

hese lines were constructed with funds contributed by or through a dicate composed of 20 members as follows: B. F. Yoakum, J. D. ey, P. M. Johnson, Jules M. Burgieres, W. K. Bixby, Dennis M. gieres, T. H. West, Ernest Burgieres, Edward Mallinckrodt, J. B. eret, R. S. Brookings, B. A. Oxnard, Wm. E. Guy, W. G. Dufour, A. McMillan, Chas. Janvier, F. M. Welch, H. G. Pharr, A. T. Per-, and Jos. Birg. A. T. Perkins was syndicate manager. Of the 00,000 necessary to construct the line approximately $1,000,000 subscribed in cash, and the balance, amounting to $1,100,000, secured from the St. Louis Union Trust Company of St. Louis, , and the Canal Louisiana Bank of New Orleans, La., upon notes he syndicate subscribers.

n September 1, 1911, an agreement was entered into between syndicate manager and C. W. Hillard as trustee, for the sale by

the syndicate manager and the purchase by the trustee of the ca[illegible] stock and the properties of the New Iberia & Northern Railroad [illegible] the Iberia, St. Mary & Eastern Railroad, these lines running [illegible] southerly direction from a connection with the New Orleans, T[illegible] & Mexico Railroad at Port Barre, La. The Frisco guaranteed [illegible] full performance of all the obligations on the part of the trustee [illegible] in case of his failure so to do was to assume and perform them.

An amount slightly less than $2,000,000 was expended on [illegible] properties, and on May 24, 1913, the capital stock and propertie[illegible] these two companies was purchased by the Frisco for $2,493,08[illegible] The Frisco gave in payment its 6 per cent demand note for $950[illegible] dated May 1, 1913, its one year 6 per cent note similarly dated [illegible] $1,493,088.83, and $50,000 in cash. It pledged as security u[illegible] the notes the stock of the companies purchased, properly assig[illegible] and the equity of the Frisco in all securities and real estate loc[illegible] in Dallas and Beaumont, Tex., pledged with the St. Louis U[illegible] Trust Company as security for notes of the Frisco held by that c[illegible]pany. The value of the equity referred to has been estimated t[illegible] approximately $750,000.

The subscription of B. F. Yoakum to the New Iberia & Nort[illegible] Railroad and Iberia, St. Mary & Eastern Syndicate amounted [illegible] $320,000, on which payments were made amounting to $190,[illegible] On December 20, 1911, the board of directors of the Frisco aut[illegible]ized the purchase for account of the Frisco of B. F. Yoakum's inte[illegible] plus 7 per cent, which was effected on May 6, 1912, by a cash [illegible]ment of $12,698.24 and a 6 months note for $200,000.

The profits to the syndicate subscribers on the sale of these pro[illegible]ties to the Frisco amount to $500,000, in addition to which t[illegible] retain an interest in unpaid bonuses of about $100,000 which [illegible] further increase the profits to the subscribers to the extent of [illegible] amounts collected. A liquidation of the syndicate has not yet b[illegible] effected and the profits referred to are based upon the realiza[illegible] of the par value of the Frisco notes.

Profits of $3,011,928.95 accrued to the syndicate subscribers [illegible] financed the construction of the St. Louis, Brownsville & Me[illegible] Railway, and $375,000 was the amount of profit received by [illegible] Gulf Construction Company for financing part of the construc[illegible] of the Colorado Southern, New Orleans & Pacific Railroad. [illegible] operations of the syndicate and the construction company w[illegible] respect to these two properties are more fully described under [illegible] captions of the St. Louis, Brownsville & Mexico Railway, and [illegible] New Orleans, Texas & Mexico Railroad in later chapters of [illegible] report.

summary of the amounts subscribed by syndicate subscribers advanced by trust companies in the construction of a number of perties, and the profits realized by syndicates and trust companies he sale thereof to the Frisco, follows:

Name of railroad.	Amount paid in.	Profit.
oma City & Western	$2 097,043.95	$369,278.82
uis, San Francisco & New Orleans	5,300,000.00	837,400.00
uis & Gulf	2,700,000.00	1,385,696.52
uis & Oklahoma City	1,000,000.00	556,150.00
uis, Oklahoma & Southern	3,423,432.10	719,574.90
sas Valley & Western	3,046,635.00	589,767.32
beria & Northern	2,000,000.00	500,000.00
uis, Brownsville & Mexico	3,981,000.00	3,011,928.95
do Southern, New Orleans & Pacific	3,000,000.00	375,000.00
Total	26,548,111.05	8,444,796.51

SOUTH TEXAS LINES.

cquiring control of the south Texas lines, which, by the use of kage rights over parts of several other lines of railroad, form a ugh route from New Orleans, La., to Brownsville, Tex., and which no physical connection with the Frisco lines, appears to have been sastrous move for the Frisco. Through the Colorado Southern, Orleans & Pacific Railroad. and its successor, the New Orleans, as & Mexico Railroad, the Frisco advanced to these companies roximately $33,000,000 for the construction of new lines, the uisition of securities of existing lines forming the through route, the payment of interest on bonds secured by the property of the Orleans, Texas & Mexico Railroad.

f the amount thus advanced, approximately $5,000,000 is still quidated, being evidenced by notes and accounts in favor of the co due from the New Orleans, Texas & Mexico Railroad. The co has received in part reimbursement of these advances 500,000 of the bonds of its issue known as the Frisco-New Orleans, as & Mexico division bonds, which are a direct lien upon the prop- of the New Orleans, Texas & Mexico Railroad, and an indirect lien ther properties controlled by that company through ownership ocks and bonds, which securities are pledged as additional security er the mortgage. Of the bonds so received by the Frisco all but t $500,000 were sold by it at prices ranging from 90 to 91. The ount thereon amounted to $3,130,650, which, added to the amount due from the south Texas lines, would indicate a loss to the Frisco ver $8,000,000 upon its investment in those companies.

he Frisco also has investments in what are known as its north as lines. These have not been as unprofitable as the south Texas venture. However, the St. Louis, San Francisco & Texas Rail-

road is indebted to the Frisco in the sum of $2,122,011.61, represen unliquidated freight traffic balances dating from 1908 to May 27, 1 $1,068,158.69 of which is evidenced by notes, and the remainder accounts.

ACQUISITION OF CHICAGO & EASTERN ILLINOIS RAILROAD COMPA

The desire of the Frisco for an entrance into the city of Chic resulted in the purchase, in 1902, of the common and preferred st of the Chicago & Eastern Illinois Railroad Company by the issua of Frisco stock trust certificates upon the basis of $150 for the prefe stock and $250 for the common stock of the Chicago & Eastern Illin In order to meet the fixed charges upon its stock trust certificate was essential that the Frisco should receive in dividends from Chicago & Eastern Illinois Railroad 6 per cent upon the preferred st and 10 per cent upon the common stock each year. On the prefe stock 6 per cent was paid each year. The dividend on the comm stock has been sufficient to meet the interest requirement on the st trust certificates in but three years. The resultant net loss on common stock amounted as of May 27, 1913, to $1,710,388, wh amount the Frisco paid in interest upon its common-stock trust tificates, held by the public, in excess of the dividends received u the Chicago & Eastern Illinois common stock.

DISCOUNT.

The discount on bonds and notes other than short-term notes iss by the Frisco and lines which it controls, including the Frisco issu bonds on the New Orleans, Texas & Mexico Railroad, and premiums paid on retirement of underlying issues, aggrega $32,152,602.07. Premiums amounting to $1,486,852.25 were ceived on a series of refunding bonds and notes, leaving the net amo so paid $30,665,749.82. The payment of this enormous amoun discount in 12 years must be deemed to be due to one of causes: (*a*) That the credit of the Frisco was very poor; or (*b*) t bankers obtained the securities at prices which may or may not h been as high as could have been obtained from those not directly in ested in the financing of the Frisco.

The Rock Island secured control of the Frisco in 1903 through purchase of the Frisco common stock, and retained such control u 1909, when it disposed of its holdings to B. F. Yoakum, Edwin H ley, and others. During that period the credit of the Rock Isl was never extended to the Frisco, though benefits doubtless acc to the owning company through traffic relations and possibly fa able divisions of rates. During the six years of Rock Island con the Frisco issued more than $71,000,000 in short term notes, al which were liquidated within the same period except $1,641,329

ing the same period the net increase in the funded debt, including ipment trusts, was $78,000,000.

he securities of the Frisco issue, and those of the Kansas City, Fort tt & Memphis Railway, a leased line absolutely controlled by the co through stock ownership, brought prices ranging from 62½ to 98, former price being secured on a sale of Kansas City, Fort Scott & nphis Railway refunding 4 per cent bonds in 1908, and the latter e being obtained for an issue during September, 1912, of two-year r cent notes, amounting to $2,600,000, secured by collateral hav- a face value of over $8,000,000, and the pledge of the Frisco's re interest in the south Texas lines.

ithin the widest possible range of reasonable charges to the public, transportation company, constructed and living upon borrowed ital, can long survive a situation in which it sells securities at 62½ s on the dollar and pays interest on the par value thereof. At 4 cent the $30,665,749.82 of net discounts and commissions carried the Frisco represents an annual expenditure of $1,226,630 for rest upon money which it never received. The accounts show the securities were sold at prices higher than those above quoted, commissions varying from 1 to 2½ per cent, paid to the bankers, regated more than $3,000,000.

DIVIDENDS.

uring all these years, while its securities were sold under heavy ounts and while it was borrowing funds to meet its obligations, Frisco consistently paid annual dividends of 4 per cent upon its 00,000 of first preferred stock, an annual charge of $200,000. last of such dividends was declared for the quarter ended March 1913. Dividends on the second preferred stock were discon- ed in 1906. Thus this company, whose securities were dis- nted as high as 37½ per cent, apparently attempted to maintain osperous appearance by disbursing dividends which were not in earned. It is claimed that these dividends were paid in order old the confidence of the public and the bankers. In financing rprises of this nature bankers would not be strongly influenced the payment of such dividends. They would consider other ents affecting the financial condition of the company and having earing upon the ability of the company to properly earn the dends paid. The public would not be so well able to protect f.

INVESTMENT IN THE NEW ORLEANS TERMINAL COMPANY.

he New Orleans Terminal Company is a corporation owning and rating terminals, wharves, and warehouses in the city of New Or- s, La. Its capital consists of $2,000,000 of stock and $14,000,000

of 4 per cent bonds. One-half of the capital stock is owned by Frisco and one-half by the Southern Railway Company. Tl two companies have indorsed the bonds of the terminal comp guaranteeing the principal and interest thereon.

The Southern Railway Company makes no direct use of property of the terminal company. The Mobile & Ohio Railr the New Orleans, Texas & Mexico Railroad, the New Orleans, Mobi Chicago Railway, the New Orleans & Northeastern Railroad, New Orleans Great Northern Railroad, and the Louisiana Railwa Navigation Company use the terminal as tenants.

The Frisco has no line into New Orleans and therefore does not the terminal property. Its proportion of the terminal's inte charge is $280,000 per annum, and it receives less than $50,000 a portion of the revenues of the terminal property. The Frisco red its portion of the interest charge by assessing approximately 15½ cent of it against the New Orleans, Texas & Mexico Railroad, on basis of the proportion which the total mileage of the New Orle Texas & Mexico Railroad bears to the total mileage of the Fr system. This leaves, in round figures, a net charge of $180,000 annum against the income of the Frisco as the cost of its investm in the terminal property, which, as stated, it does not use and f which it derives no apparent benefit.

INVESTMENT IN STOCK OF THE KIRBY LUMBER COMPANY.

During the month of January, 1903, three notes were execute the Kirby Lumber Company for $200,000 each, drawn to the o of B. F. Yoakum, James Campbell, and Henry Clay Pierce, for mo advanced by them to the lumber company. Shortly thereafter t notes were purchased by the Frisco at their face value and inte and subsequently they were surrendered to the lumber compan part of the purchase price of 8,150 shares of the preferred stoc the lumber company at $75 per share. In July, 1903, the Fr purchased 8,500 additional shares of this stock, thereby makin total investment therein $1,248,750. The preferred stock of lumber company outstanding totaled $10,000,000.

The Frisco paid J. W. Bailey $25,000 for his services in acqui this stock, and charged that amount to the cost of the securitie the lumber company.

No dividends have been received upon this stock by the Fri At 4 per cent the interest upon this investment would approxim $50,000 per annum, and on that basis the loss thereon amount about $500,000. It is possible, however, that this was compens for in some measure by securing traffic for the Frisco through influence as a stockholder in the lumber company.

the purchase of this stock the Frisco received as a bonus 2,775 es of the common stock of the same company, which it subse-tly sold for $50,000, this, with several minor adjustments, left the cost of the 16,650 shares $1,226,208.

RENTALS PAID CRAWFORD COUNTY MINING COMPANY.

mong the unprofitable contracts entered into by the Frisco under Rock Island régime was one executed under date of March 30, , between the Frisco and the Crawford County Mining Company, period of 99 years. The Crawford County Mining Company had tanding an issue of its 5 per cent sinking fund gold bonds. The s of the indenture provided for a gradual retirement of the bonds ugh the sinking fund process.

he coal company leased mineral rights on its property to various operators and from the royalties received contributed to the ing fund for the retirement of its bonds. Any remaining income to be devoted to the payment of interest, etc.

ich additional sums as were necessary to meet interest payments to be charged against the Frisco as rental for the use of tracks of mining company at Pittsburg, Kans.

he sums thus chargeable to the Frisco have averaged $27,000 per , and its privileges under the contract appear to consist of the t to place cars at the mines and take them therefrom. It is erstood that the entire capital stock of the mining company is ed by the Chicago, Rock Island & Pacific Railway.

EFFECT OF FRISCO FINANCIAL POLICY.

he policy of the Frisco in the acquisition of new lines at prices tly in excess of construction costs and the sale of its funded debt rities at extravagant rates of discount, including the payment of niums on retired issues and commissions to banks and bankers uch issues, the investment in stocks of industrial companies on h no dividends have been paid, the assumption of heavy fixed ges for its Texas lines as well as for the Chicago & Eastern Illinois road far greater than its returns therefrom, and payment of ssive charges upon the investment in and use of terminal and properties have resulted in the net revenue of the Frisco being rbed by such charges in a sum which approximates between 00,000 and $4,000,000 per annum.

he following items are descriptive of those resulting in annual ges against the income of the Frisco and for which the Frisco ived no apparent value or return. The charges are computed on basis of actual amounts where ascertainable and by applying rest rates of 4 and 5 per cent on other items

	Fixed annual cha	
	4 per cent.	5 per c
Profits on sale of new lines to the Frisco, $8,444,796.51	$337,792	$42
Discounts, premiums and commissions, net, $30,500,000	1,220,000	1,52
Investment in Kirby Lumber Co. stock, $1,226,208	49,048	6
Due from St. Louis, San Francisco & Texas Ry. for traffic balances, $2,200,000	88,000	11
Interest on $28,500,000 bonds New Orleans, Texas & Mexico R. R., less $500,000 in Frisco treasury and $3,000,000 covering profit on sale of Brownsville	1,250,000	1,25
Interest on $14,000,000 bonds New Orleans Terminal Co., Frisco proportion, net	180,000	18
Average annual loss on investment in Chicago & Eastern Illinois R. R	170,000	17
Rentals paid Crawford Mining Co	27,000	2
	3,321,840	3,74

It will be observed that in applying the actual charges wh ascertainable and 4 per cent on discounts, etc., the result is an ann charge of $3,321,840, while applying the same rule on a 5 per c basis $3,745,550 is shown as the amount chargeable annually.

These figures of themselves are not strikingly significant, but w it is seen that they represent 31.09 per cent and 35.06 per ce respectively, of the total funded debt interest charge of the Fri each year and that the Frisco receives no apparent benefit therefr their significance is apparent.

In order to earn the revenue necessary to meet these charges nually, and assuming that the operation of the Frisco was conduc on an operating ratio of 70 per cent, it would require gross reven amounting to $11,072,800 in the first instance and $12,485, in the second. The total gross earnings of the Frisco for the fi year ended June 30, 1913, approximated $43,000,000 and the amou quoted represent 25.69 per cent and 29.04 per cent, respectively this sum.

Acquisition of the Stock of, and statistics of, the Chicag Eastern Illinois Railroad Company and Statistics of t St. Louis & San Francisco Railroad Company.

August 7, 1902, the Frisco issued a circular to the stockhol of the Chicago & Eastern Illinois Railroad Company offering acquire the shares, both preferred and common, of that compa which, on or about the 15th of September, 1902, should be deposi with the Colonial Trust Company of New York.

In exchange for the preferred stock the Frisco was to deliver 6 per cent preferred-stock trust certificates, payable July 1, 1942, the rate of $150 for each share of such preferred stock, and entitl the registered holder to quarterly dividends of $1.50 per sha beginning January 1, 1903. Preferred stock was not to be tra ferred upon the books of the Chicago & Eastern Illinois until af October 1, 1902, so that any dividend for which the books might

ed prior to that time would be payable to the registered holder he deposited stock.

n exchange for the common stock the Frisco was to deliver its per cent common-stock trust certificates, payable July 1, 1942, he rate of $250 for each share of common stock, and entitling the stered holder to semiannual dividends of $5 per share, beginning uary 1, 1903.

he stock trust certificates of the Frisco were to be issued under ust agreement with the Colonial Trust Company and were secured pledge of the deposited stock. The offer of the Frisco was recomded to the stockholders of the Chicago & Eastern Illinois, under of August 7, 1902, in a letter signed by H. H. Porter, Flower & npany, George H. Ball, and Henry Seibert.

nder the terms of the trust agreement, in case of the failure of Frisco to pay any of such dividends, and such default continued a period of 30 days, the registered holder of the certificate was tled to surrender it to the trust company, and, in exchange, upon nand, to receive the amount of the Chicago & Eastern Illinois k represented by the deposited certificate. The trust agreet also provided that in case of any dividend being in default for lays, or if a default should occur in connection with the principal, ointment of a receiver for the Chicago & Eastern Illinois would ought.

he authorized and outstanding issues of each class of Chicago & tern Illinois Railroad stock on July 1, 1902, and on May 27, 1913, e as follows:

Stock.	Amount authorized.	Outstanding.	In C. & E. I. treasury.	In hands of public.
1, 1902:				
referred	$10,000,000	$7,965,700	$1,135,000	$6,830,700
ommon	15,000,000	12,448,400	5,230,600	7,217,800
27, 1913:				
referred	15,000,000	12,191,700	1,578,600	10,613,100
ommon	15,000,000	13,626,100	6,408,300	7,217,800

he following tables show the dates of the issues of preferred and nmon stock and the purposes for which issued:

ago & Eastern Illinois Railroad Company preferred-stock issues, Nov. 12, 1887, to May 27, 1913.

Date.	Shares.	Issued for—Description.	Amount.
Nov. —	30,000	Issued in accordance with articles of consolidation, Nov. 12, 1887, in exchange for 30,000 shares Chicago & Eastern Illinois R. R. Co.; $3,000,000 old capital stock retired by an issue of $3,000,000 preferred and $3,000,000 common.	$3,000,000
Mar. 1	14,652	Exchanged for 14,652 shares of Chicago & Indiana Coal Ry. Co. preferred stock.	1,465,200
Nov. 3	1,133	To reimburse treasury for construction, Momence to Indiana State line, 11.33 miles.	113,300
o	2,522	Exchanged for 2,647 shares of preferred stock of Chicago & Eastern Illinois Ry.	252,200

Chicago & Eastern Illinois Railroad Company preferred stock issues, Nov. 12, 1887,
May 27, 1913—Continued.

Date.	Shares.	Issued account of—Description.	Amo
1890, Dec. 21	4,071	To reimburse treasury for construction, Tuscola to Shelbyville, 40.71 miles.	$407
1898, June 14	12,218	To reimburse treasury for construction, Shelbyville to Marion, 122.18 miles.	1,221
1900, Feb. 16	4,858	To acquire Evansville, Terre Haute & Chicago Ry., 48.58 miles.	485
Do	1,262	To acquire Indiana Block Coal R. R., 12.62 miles	126
Do	6,250	To reimburse treasury for construction, Marion to Thebes, 62.50 miles.	625
1902, Feb. 11	1,607	To reimburse treasury for construction, Joppa branch, 16.07 miles.	160
Do	1,084	Milford branch, 10.84 miles	108
1904, Dec. 14	10,263	To reimburse treasury for construction, Rossville & Eastern branch, 13.77 miles; Hunts Switch, 6.94 miles; Woodland-Villa Grove and Findley-Pana, 81.92 miles.	1,026
1911, Sept. 6	1,000	Exchanged for stock of Evansville Belt Ry. Co	100
1911, Sept. 1	29,150	Exchanged for Evansville & Terre Haute R. R. Co. common stock, at $83.33.	2,915
1911, Oct. —	348	....do	34
1911, Nov. —	222	....do	22
1911, Dec. —	225	....do	22
1912, Jan. —	600	....do	60
1912, Jan. 10 to Sept. 7	83	....do	8
1912, Sept. 7 to Oct. 4	7	....do	
1912, Oct. 5, to 1913, Mar. 6.	84	....do	8
1913, Mar. 7 to May 5	222	....do	22
1913, May 5 to May 15	56	....do	5
	121,917	Total issues to May 27, 1913	12,191

Chicago & Eastern Illinois Railroad Company common-stock issues, Nov. 12, 1887
May 27, 1913.

Date.	Shares.	Issued account of—Description.	Amo
1887, Nov. —	30,000	Issued in accordance with articles of consolidation, Nov. 12, 1887; $3,000,000 old capital stock retired by an issue of $3,000,000 of preferred and $3,000,000 of common.	$3,000
1887, Nov. —	5,000	Exchanged for 5,000 shares Strawn & Indiana State Line R. R. Co.	500
1887, Nov. —	15,000	Exchanged for 15,000 shares of Chicago, Danville & St. Louis R. R. Co.	1,500
1889, Mar. 1	21,987	Exchanged for 21,978 shares common stock of Chicago & Indiana Ry. Co.	2,197
1890, Nov. 3	1,699	To reimburse treasury for construction, Momence to Indiana State line, 11.33 miles.	169
Do	3,783	Exchanged for 3,970 shares of Chicago & Indiana Coal Ry. Co. common stock.	378
1892, Dec. 21	6,106	To reimburse treasury for construction, Tuscola to Shelbyville, 20.71 miles.	610
1898, June 14	18,327	To reimburse treasury for construction, Shelbyville to Marion, 122.18 miles.	1,832
1900, Feb. 16	18,555	To acquire Evansville, Terra Haute & Chicago Ry. Co., 48.58 miles; to acquire Indiana Block Coal Ry. Co., 12.62 miles; to reimburse treasury for construction, Marion to Thebes, Ill.	1,855
1902, Feb. 11	4,036	To reimburse treasury for construction, Joppa branch, 16.07 miles; Milford branch, 10.84 miles.	403,
1904, Dec. 14	11,777	To reimburse treasury for construction, Rossville & Eastern, 13.77 miles; Hunt's Switch, 6.94 miles; Woodland-Villa Grove and Findley-Pana, 81.92 miles.	1,177,
	136,261	Total issues to May 27, 1913	13,626,

The holders of Chicago & Eastern Illinois Railroad common stoc of record as of July 1, 1902, numbered 269, holding from 1 share 52,306 shares each. The 52,306 shares were in the treasury of t company. The following is a list of holders of 1,000 shares or mo at that date:

Name of holder.	Residence.	Shares.
Benson & Co	New York, N. Y	1,400
. Baldwin & Co	Boston, Mass	1,500
Barrett	do	3,800
a F. Blackstone	Chicago, Ill	1,000
. Clark	New York, N. Y	1,500
neck & Domineck	do	3,500
Dickinson	Chicago, Ill	1,000
r & Co	New York, N. Y	3,392
all Field	Chicago, Ill	4,000
Kissel	New York, N. Y	5,400
. Ketcham	Dover Plains, N. Y	1,000
Mairs	Brooklyn, N. Y	2,000
. Morton	New York, N. Y	1,000
Porter	Chicago, Ill	8,611
e H. Stevens	Boston, Mass	1,200
rff Bros	New York, N. Y	1,220
Wrenn & Co	Chicago, Ill	1,400

he total of Chicago & Eastern Illinois common shares outstanding he hands of the public on June 30, 1903, was 72,178 shares, of ch 70,642 shares had been deposited in exchange for $17,660,500 co common-stock trust certificates. There were also outstanding hat time 68,307 shares of Chicago & Eastern Illinois preferred k, of which 41,717 shares had been deposited in exchange for 57,500 of Frisco preferred-stock trust certificates.

he stock outstanding on May 27, 1913, amounted to $13,626,100 mon, and $12,191,700 preferred. At that time 72,178 shares of mon stock and 84,025 shares of preferred stock had been exged for Frisco stock-trust certificates.

he liability of the Frisco on May 27, 1913, represented by Chicago Eastern Illinois stock-trust certificates was $18,044,500 on the mon stock, and $12,603,750 on the preferred stock, a total of 648,250. Of this amount the Frisco had acquired and placed in treasury, $2,520,000 of the common-stock trust certificates at a of $1,884,320, leaving outstanding in the hands of the public 524,500 of the common certificates and $12,603,750 of the pre-ed certificates. The certificates that had been acquired by the co, amounting to $2,520,000 par, were pledged to the extent of 00,000 with the Old Colony Trust Company as security for an e of two-year 5 per cent notes amounting to $2,250,000, due June 913, on which the Frisco defaulted.

nder date of November 15, 1905, application was made to the ials of the New York Stock Exchange to list $10,113,000 in mon-stock trust certificates in denominations of $1,000 each, esenting 4 shares of Chicago & Eastern Illinois Railroad common k, in exchange for the 10 per cent certificates of the old form outstanding, and additional certificates up to the total sum of ,044,500, representing the value, at $250 each, of 72,178 shares ommon stock of the Chicago & Eastern Illinois Railroad.

he purpose of securing the listing of this revised issue is underd to have been to effect a more ready disposition in the market

of Frisco certificates with a face value expressed in dollars ther[illegible] than was possible with the formerly issued certificates which me[illegible] referred to the number of Chicago & Eastern Illinois shares deposi[illegible] thereunder.

The Frisco trust certificates are in the hands of 1,034 holders, [illegible] of whom reside in the United States, three in France, and 35 in G[illegible] Britain. The principal holders of these securities in the Uni[illegible] States are as follows:

Name of holder.	Residence.	Holding.	Amo[illegible]
Marshall Field	Chicago, Ill	Preferred	$45[illegible]
Do	do	Common	1,1[illegible]
Katharine P. Isham	do	do	91[illegible]
Eliza T. Porter	do	do	3[illegible]
H. H. Porter, jr	do	do	82[illegible]
Do	do	Preferred	[illegible]
Florence G. Ball	Boston, Mass	do	[illegible]
Do	do	Common	2[illegible]
Isabella F. Blackstone	Chicago, Ill	do	25[illegible]
Do	do	Preferred	3[illegible]
Robt. S. Brewster	New York, N. Y	do	2[illegible]
Do	do	Common	25[illegible]
Walter F. Cobb	Chicago, Ill	do	35[illegible]
Chas. W. Harkness	New York, N. Y	Preferred	3[illegible]7[illegible]
Emily S. V. Sloane	do	do	3[illegible]

The par value of the securities held in the United States an[illegible] foreign countries is:

Held in—	Number of holders.	Common.	Prefer[illegible]
United States	996	$17,121,250	$11,8[illegible]
France	3		1[illegible]
Great Britain	35	923,250	6[illegible]
Total	1,034	18,044,500	12,6[illegible]

The Frisco's investment in the stock of the Chicago & Eastern [illegible] nois Railroad does not appear to have been profitable. In orde[illegible] meet the interest charges on the stock trust certificates issued, it [illegible] necessary to receive regularly dividends of 6 per cent on the prefe[illegible] stock and of 10 per cent on the common stock of the Chicago & E[illegible] ern Illinois. It did receive regularly dividends of 6 per cent on [illegible] preferred stock, but in only three years, namely, 1906, 1907, and 1[illegible] were sufficient dividends received on the common stock to meet [illegible] interest charge upon the stock trust certificates issued in excha[illegible] therefor. The following table shows the dividends received on [illegible] common stock. This indicates a total loss of $2,057,073 to May [illegible] 1913. From this amount the interest on certificates owned by [illegible] Frisco, amounting to $346,685, should be deducted, leaving a [illegible] loss of $1,710,388.

D idends paid by Chicago & Eastern Illinois Railroad Co. on common stock, and net loss to Frisco.

Year.	Rate.	Amount of dividends.	Frisco loss.
	Per cent.		
19	6	$433,068	$288,712
19	8	577,424	144,356
19	5	360,890	360,890
19	8	577,424	[1] 216,534
19	[2] 5	[3] 360,890	
19	10	721,780	
19	10	721,780	
19	2	144,356	577,424
19	8	577,424	144,356
19	9.5	685,691	36,089
19	5	360,890	360,890
19			360,890
Total		5,521,617	2,057,073

[1] Excess dividend over interest payment. [2] Extra. [3] Declared from surplus.

The annual interest charge on the Frisco common-stock trust cer-t cates amounted to $721,780. The last dividend paid on the Chi-c go & Eastern Illinois common stock was 5 per cent, December, 1 11. Interest on the common-stock trust certificates was paid by t e Frisco to December 31, 1912. The payment due June 30, 1913, v s defaulted, as was also the quarterly dividend on the preferred-s ck trust certificates for the quarter ended June 30, 1913. The last c vidend paid on the perferred stock of the Chicago & Eastern Illi-n is was for the quarter ended March 31, 1913.

During the several years prior to the acquisition of this stock by t e Frisco, the Chicago & Eastern Illinois paid dividends of 6 per c nt on its preferred stock in 1899, 1900, and 1901. During the same p riod the dividends paid on the common stock were 3½ per cent in 99, 4½ per cent in 1900, and 5½ per cent in 1901. The surplus car-r d to profit and loss after paying dividends during these years was 00,598.69 in 1899, $232,423.71 in 1900, and $317,245.45 in 1901.

After the payment of dividends the income account of the Chicago Eastern Illinois showed deficits for the years 1905 and 1908 of 0,265.67 and $115,394.24, respectively. Subsequently to 1908 the ms available for dividend payments were not sufficient to warrant vidends in excess of those that were declared, as is evidenced by the llowing table:

Balances in Chicago & Eastern Illinois income account after dividend charges.

Year.	Surplus.	Deficit.	Year.	Surplus.	Deficit.
2	$607,171.77		1908		$115,394.24
3	1,261,800.73		1909	$20,972.94	
4	757,952.23		1910	68,524.16	
5		$80,265.67	1911	28,807.12	
6	37,692.27		1912	104,946.42	
7	418,545.77		1913, to May 27		976,582.68

It will be noted that the decrease in surplus since the fiscal y[illegible] 1904 has occurred under the Frisco management of this proper[illegible] The causes for this decrease appear in the tables at the end of t[illegible] chapter.

The financial transactions between the Frisco and the Chicago [illegible] Eastern Illinois were not numerous. The Chicago & Eastern Illin[illegible] loaned to the Frisco, during the period 1903 to 1907, $800,000, e[illegible]denced by four notes. The Evansville & Terre Haute Railroad loan[illegible] the Frisco in 1907 and 1908 $721,492 on four notes. The Fris[illegible] loaned the Chicago & Eastern Illinois, from January, 1912, to Ap[illegible] 29, 1913, $430,000 on four notes. All of these notes were paid, exce[illegible] one issued by the Chicago & Eastern Illinois to the Frisco, dat[illegible] April 29, 1913, for $100,000.

The value of the traffic delivered to the Frisco by the Chicago [illegible] Eastern Illinois, in excess of that interchanged with other Chica[illegible] connections, can not be determined. There was no physical conn[illegible]tion between the properties at the time the Frisco acquired contr[illegible] In order to effect a connection between the two roads, it was necess[illegible] for the Chicago & Eastern Illinois to enter into a contract with t[illegible] Cairo, Vincennes & Chicago Railway (Big Four) for trackage rig[illegible] from Pana to East St. Louis, Ill., approximately 75 miles. T[illegible] contract for this was executed November 1, 1902, for a period of [illegible] years. Under the contract the Big Four was to double-track t[illegible] line in question, and the cost of maintenance and operation of, a[illegible] the taxes on, the joint line were to be divided on a per-car bas[illegible] In addition, a rental of 2 per cent per annum upon the apprais[illegible] value of the property used was to be paid by the tenant compa[illegible] These annual rental charges of the Chicago & Eastern Illinois for t[illegible] last eight years were:

Year.	Amount.	Year.	Amoun[illegible]
1906	$110,868.37	1910	$117,32[illegible]
1907	119,930.72	1911	122,37[illegible]
1908	109,801.06	1912	93,88[illegible]
1909	122,337.35	1913, to May 27	102,49[illegible]

The gross operating revenue of the Chicago & Eastern Illin[illegible] Railroad increased from about $6,000,000 in 1901 to about $15,000,[illegible] in 1912. The operating expenses increased from about $3,000,000 [illegible] 1901 to about $11,000,000 in 1912. The operating ratio increas[illegible] from 54.75 per cent in 1901 to 80.19 per cent for 11 months of 19[illegible] distributed as follows:

	1901		1913	
	Amount.	Per cent.	Amount.	Per cent.
M itenance of way	$659,988.58	21.58	$1,926,535.44	16.33
M itenance of equipment	610,993.98	19.97	3,442,121.09	29.18
T fic	57,706.89	1.89	294,839.89	2.50
T isportation	1,585,616.47	51.83	5,683,907.23	48.19
G eral	144,664.60	4.73	447,622.16	3.80
Total	3,058,970.52	100.00	11,795,025.81	100.00

Notwithstanding an increase in the gross revenue for 11 months of 1 13 over 1901 of $9,121,425.48, only $385,370.19 remained as the i reased net result of operation. This can not be said to result from a iigh standard of maintenance of the property, as the ratio of 21.58 p: cent applied to maintenance of way in 1901 decreased to 16.33 per c it in 1913. The proportion of funded debt interest to net earnings i reased from 48.42 per cent to 101.40 per cent in the same period. I other words, the net earnings for the 11 months for the year 1913 f l short of meeting the interest requirements by $40,916.08. Equip- n nt maintenance increased proportionately, but no proper provision w s made for equipment depreciation, as the rate used was one-fourth o 1 per cent. This basis of depreciation charges assumes that the e uipment will not become obsolete for 400 years.

The only inference to be drawn is that maintenance of the property w s subordinated to the payment of dividends, which inference is s ostantiated in part by the following copy of a letter:

[rsonal.] CHICAGO, *April 3, 1913.*

. S. T. PARK,

Superintendent Motive Power, Danville, Ill.

DEAR SIR: Since talking with you to-day I have had a conversation with Mr. akum, and he has intimated very strongly that he expects us to earn our dividends. do this it is necessary for us to make material reductions in our expenses in your partment, and even then I am doubtful if we can meet his wishes.

*   *   *   *   *   *   *

Yours, truly,

Vice President and General Manager.

Chicago & Eastern Illinois Railroad Company.—Averages and ratios based on revenues, interest on funded debt, and funded debt.

Fiscal years ending June 30—	Gross operating revenue.	Operating expenses.	Operating ratio.	Net revenue rail operations.	Total mileage operated on June 30.	Revenue per mile of line operated. Gross.	Revenue per mile of line operated. Net.	Total funded debt (including equipment trust) outstanding on June 30.	Net interest deductions on funded debt.	Total mileage owned on June 30.	Average amount of funded debt per mile of line owned.	Average annual interest on funded debt per mile of line owned.	Ratio of net earnings to total funded debt.	Ratio of interest on funded debt to net earnings.
			P. ct.										P. ct.	P. ct.
1901	$5,587,541.93	$3,058,970.52	54.75	$2,528,571.41	727	$7,685.75	$3,478.09	$23,975,447.85	$1,224,285.43	704	$33,800.35	$1,739.04	10.63	48.42
1902	6,192,527.44	3,300,820.29	53.30	2,891,707.15	738	8,390.96	3,918.30	23,909,292.45	1,245,888.68	715	33,439.57	1,742.50	12.09	43.08
1903	7,586,329.92	4,045,050.37	53.32	3,541,279.55	751	10,101.64	4,715.42	25,940,594.24	[1] 1,612,999.47	728	35,632.68	2,215.66	13.65	45.55
1904	8,489,359.01	5,030,021.28	59.25	3,459,337.73	758	11,199.68	4,563.77	29,593,536.48	1,356,778.10	735	40,263.31	1,845.96	11.69	39.22
1905	8,422,485.75	5,575,150.09	66.19	2,847,335.66	948	8,884.48	3,003.51	35,733,478.72	1,506,467.57	817	43,737.42	1,843.90	7.97	52.91
1906	9,928,473.66	6,404,936.41	64.51	3,523,537.25	948	10,473.07	3,716.81	43,015,420.96	1,829,461.71	817	52,650.45	2,239.24	8.19	51.92
1907	11,393,397.05	7,637,731.00	67.04	3,755,666.05	957	11,905.33	3,924.41	45,954,363.20	2,043,685.15	817	56,247.69	2,501.45	8.17	54.42
1908	10,742,731.40	7,354,792.43	68.46	3,387,938.97	957	11,225.42	3,540.17	47,409,005.44	2,087,471.00	817	58,028.16	2,555.04	7.15	61.61
1909	10,269,618.99	6,934,533.51	67.52	3,335,085.48	966	10,631.07	3,452.47	48,830,547.68	2,136,177.26	819	59,622.16	2,608.28	6.83	64.05
1910	11,750,355.59	7,953,983.84	67.69	3,796,371.75	966	12,163.93	3,929.98	48,549,489.92	2,197,958.36	819	59,278.99	2,683.71	7.82	57.90
1911	12,281,344.27	8,344,463.43	67.94	3,936,880.84	966	12,713.61	4,075.45	49,277,432.16	2,231,402.65	819	60,167.80	2,724.55	7.99	56.68
1912	15,215,513.04	10,899,751.70	71.64	4,315,761.34	1,275	11,933.74	3,384.91	66,739,374.40	2,956,983.74	1,123	59,429.53	2,633.11	6.47	68.52
1913, to May 27	14,708,967.41	11,795,025.81	80.19	2,913,941.60	1,275	11,536.45	2,285.44	70,072,200.00	2,954,857.68	1,123	62,397.33	2,631.22	4.16	101.40

[1] Includes interest to maturity on car trust notes for deferred payments on 1,000 box and 750 coal cars purchased from the American Car & Foundry Co. during the year.

St. Louis & San Francisco Railroad.—Averages and ratios based on revenues, interest on funded debt, and funded

Fiscal year ending June 30—	Gross operating revenue.	Net revenue rail operations.	Total mileage operated on June 30.	Revenue per mile of line operated.		Total funded debt (including equipment trusts) outstanding on June 30.	Net interest deductions on funded debt.	Total mileage owned on June 30.	Average amount funded debt per mile of line owned.	Average annual interest on funded debt per mile of line owned.	Ratio of net earnings to total funded debt.	Ratio of interest on funded debt to net earnings.
				Gross.	Net.							
											Per cent.	Per cent.
1897	$5,993,336.17	$2,509,707.80	1,162	$5,157.78	$2,159.82	$37,288,850.00	$1,994,488.00	[1] 1,145	$32,566.68	$1,741.91	6.73	79.47
1898	6,886,467.77	2,856,358.98	1,282	5,371.66	2,228.05	39,118,100.00	2,028,743.78	1,265	30,923.40	1,603.75	7.30	71.03
1899	7,226,662.13	2,885,471.58	1,385	5,217.81	2,083.37	41,597,643.75	2,109,249.13	1,368	30,407.63	1,541.85	6.94	73.10
1900	7,983,246.06	3,290,719.29	1,402	5,694.18	2,347.16	44,875,431.25	2,145,924.50	1,385	32,401.03	1,549.40	7.33	65.21
1901	10,173,697.25	4,328,689.84	1,708	5,956.50	2,534.36	46,198,125.00	2,234,766.82	1,687	27,384.78	1,324.70	9.37	51.63
1902	18,988,215.44	7,188,936.09	2,895	6,558.97	2,483.22	73,702,925.00	2,835,917.35	1,880	39,203.68	1,508.47	9.75	39.45
1903	20,692,772.47	7,365,972.43	3,324	6,225.26	2,216.00	116,494,145.25	4,122,912.53	2,459	47,374.60	1,676.66	6.32	55.97
1904	23,051,617.67	8,014,010.25	3,735	6,171.78	2,145.65	132,007,162.02	4,890,680.28	2,851	46,302.06	1,715.43	6.07	61.03
1905	28,486,477.07	10,299,857.65	4,737	6,013.61	2,174.34	155,763,524.44	6,261,340.90	3,532	44,100.66	1,772.75	6.61	60.79
1906	30,463,627.12	11,202,054.88	4,721	6,452.79	2,372.81	162,472,775.97	6,675,306.88	3,516	46,209.54	1,898.55	6.89	59.59
1907	36,548,949.85	13,441,028.11	4,727	7,731.95	2,843.46	174,054,737.79	6,975,470.40	3,523	49,405.26	1,979.98	7.72	51.90
1908	33,844,373.83	10,496,636.99	4,727	7,159.79	2,220.57	191,267,576.00	7,427,814.39	3,523	54,291.11	2,108.38	5.49	70.76
1909	35,619,712.70	12,481,068.90	4,727	7,535.37	2,640.38	194,673,809.70	7,880,784.17	3,523	55,257.96	2,236.95	6.41	63.14
1910	39,089,647.07	12,234,177.93	4,726	8,271.19	2,588.70	235,274,650.90	8,522,404.47	3,523	66,782.47	2,419.08	5.20	69.66
1911	40,787,480.42	13,589,584.65	4,732	8,619.50	2,871.85	240,058,971.27	9,774,335.33	3,523	68,140.50	2,774.44	5.66	71.93
1912	39,569,475.51	12,989,420.53	4,742	8,344.47	2,739.23	238,139,328.70	10,225,024.22	3,523	67,595.61	2,902.36	5.45	78.72
1913, to May 27	39,390,343.65	12,963,815.61	4,742	8,306.69	2,733.83	244,269,833.72	9,775,668.39	3,523	69,335.75	2,774.81	5.31	75.41

[1] Excludes mileage of Paris & Great Northern Railroad.

Progress of St. Louis & San Francisco Railroad Comp Receivership.

The receivers originally appointed for the Frisco were B. L. W chell, president of the Frisco, and Thomas H. West, chairman of board of the St. Louis Union Trust Company. Mr. Winchell l resigned and W. C. Nixon and W. B. Biddle, vice presidents of Frisco, in charge, respectively, of operation and traffic, were appoi receivers on July 15, 1913, vice Mr. Winchell. In December, 1 Mr. West was succeeded as receiver by James W. Lusk, and the p erty is now in the hands of Messrs. Lusk, Nixon, and Biddl receivers.

The results of operation of the property during the period of receivership to November 30, 1913, compared favorably with tha the same period of the previous year. The increased earnings u the receivership amounted to $412,773.26, resulting in the lar earnings in the history of the property for any like period.

The available cash on hand on November 30, 1913, was $1,4 249.21, the receipts and disbursements during the receivership b as follows:

Receipts.

Received from treasurer St. Louis & San Francisco R. R. May 28, 1913..	$603, 84
Items accrued prior to appointment of receivers	3, 191, 61
Items accrued since appointment of receivers	26, 001, 9
Total receipts	29, 797, 4

Disbursements.

Items accrued prior to appointment of receivers	6, 900, 1
Items accrued since appointment of receivers	21, 427, 0
Total disbursements	28, 327, 1

From the above it will be observed that the receivers have from current receipts $3,709,539.99 on account of indebtedness curred by the company prior to their appointment. In addi they have paid $1,354,904.38 of the principal of equipment t obligations, being the entire amount of such obligations mat during the receivership to November 30, 1913. Interest cou amounting to $2,981,144.39 have been paid, as have also all ren taxes, and sinking-fund requirements, while an increase of $141 has been effected in the stock of material and supplies.

The amount of outstanding bonds in the hands of the public increased during the same period $574,000, occasioned by the sal an equal amount of general lien 5 per cent bonds which were posed of by bankers holding such bonds as collateral for loans m prior to May 28, 1913. The liability of the company in the for notes liquidated by the sale of this collateral was $286,635.01.

nterest on funded debt has been paid at the interest dates with e exception of the following instances in which there has been ault. The principal and interest on an issue of 2-year notes in default, is included.

rincipal and interest on $2,250,000 2-year notes due June 30, 93.

nterest on 2-year notes dated September 1, 1912, due September 1, 94.

nterest on Frisco-Chicago & Eastern Illinois common-stock trust ificates, due July 1, 1913.

nterest on Frisco-Chicago & Eastern Illinois preferred-stock trust ificates, due July 1, 1913.

nterest on Frisco-New Orleans, Texas & Mexico Railroad division ds, due September 1, 1913.

nterest on New Orleans Terminal Company's bonds, due July 1, 93.

he payment of the principal of $2,880,000, par value, Ozark & rokee Central Railway bonds, due October 1, 1913, has been nded by agreement with the bondholders to October 1, 1914.

n but one instance has it been necessary for the receivers to row funds to liquidate indebtedness of the Frisco which they were mitted to pay. They borrowed $400,000 from the St. Louis on Trust Company on three notes due July 1, which were all paid r to July 25.

n petition of the receivers an order of the court was entered ober 27, 1913, authorizing an issue of $10,000,000 of receiver's ificates, the proceeds thereof to be used in the payment of preferal claims, equipment trust notes, bonds and bond interest, and additions and betterments. None of these certificates had been ed up to November 30, 1913, but the dates, amount and interest eon are to be fixed by further orders of the court.

n order of the court was entered December 26, 1913, denying the tion of William W. Niles for leave to sue the former officers and ectors of the Frisco for alleged violation of their trust in the sale them in 1909 of the stock, bonds, and notes of the St. Louis, wnsville & Mexico Railway Company. The receivers were inucted to bring and prosecute such suit or suits, John D. Johnson Loomis C. Johnson were appointed special counsel for the receiv and James W. Lusk was invested with exclusive charge for the eivers of the conduct of such suit or suits.

Under instructions from the court the receivers have refrained n paying any bills for material purchased prior to May 28, or s of other carrier companies for car repairs, claims, traffic bales, etc., which apply to the six months prior to the receivership.

The receivers are endeavoring to have these orders of the co modified so that they may pay such bills as they are audited.

Considerable improvement work is being done by the receiv more particularly rebuilding bridges, laying heavier rails, and c tinuing work that was in progress prior to the receivership. A sli curtailment in the expenses of operation has been effected by disc tinuing the salaries of the chairman of the board and the preside reducing the New York office force, and slightly reducing the sala of several of the vice presidents. Transportation costs have b reduced by discontinuing a number of passenger trains. A hig standard of maintenance appears to have been applied during term of the receivership. Application is to be made to the court the abrogation of a contract with the Peabody Coal Company delivery of approximately 700 tons of fuel per day. The tie-treat contract with the American Creosoting Company has been suspen for two years by mutual consent of the parties thereto.

Progress of Chicago & Eastern Illinois Railroad Comp Receivership.

May 27, 1913, on petition of the Railway Steel-Spring Compa William J. Jackson and Edwin W. Winter were appointed recei of the Chicago & Eastern Illinois Railroad. The amount due petitioner, as stated in the bill, was $57,673.42. The recei qualified and took possession of the property on the day of t appointment, and are now operating the same.

Will H. Lyford, of Chicago, Ill., was appointed general counsel the receivers.

The results from operation of the property for the months of J and July, 1913, compare favorably with those of the correspond months of 1912.

	June, 1912.	June, 1913.	July, 1912.	July, 1
Operating revenues	$1,206,518.25	$1,345,482.04	$1,301,928.28	$1,367.
Operating expenses	762,440.93	965,775.91	900,008.91	1,064,
Taxes	28,500.00	43,466.67	37,000.00	45,
Net	415,577.32	336,239.46	364,919.37	258,

It will be noted that the gain in gross revenues is more than of by the increases in operating expenses, due largely to maintena expenditures necessitated by lack of proper maintenance in prev years. The receivers being under no obligations to pay divide it is probable that maintenance charges will continue to be large u the property is brought to a higher physical standard.

On June 3, 1913, the court authorized the receivers to pay f and costs aggregating $10,034.82, assessed against the Chicag Eastern Illinois Railroad Company for violations of the act to r late commerce.

June 25, 1913, an order was entered giving leave to the Equi- Trust Company of New York to file an intervening petition. The table Trust Company of New York is the trustee under two trust ments dated October 1, 1902, and a supplemental agreement l April 27, 1905, in respect to common-stock trust certificates senting Chicago & Eastern Illinois Railroad common stock, en- into between the St. Louis & San Francisco Railroad Company the Colonial Trust Company of New York. These trust agree- s provided for the issuance by the Frisco of certain stock trust icates in respect to common and preferred capital stock of the go & Eastern Illinois.

June 25, 1913, an order was entered authorizing the receivers ake repairs, additions, and betterments and purchases of addi- l locomotives, and to pay the cost thereof out of any funds com- rom the operation of the property.

e receivers were also authorized to pay the interest maturing on fore January 1, 1914, upon the defendant's refunding and im- ement bonds, bills payable, and rentals.

e receivers were also authorized to issue $4,000,000 of receivers' ficates for payment of the following:

st maturing on or before Jan. 1, 1914, upon railroad bonds other refunding and improvement bonds	$1,474,735.00
st maturing on or before Jan. 1, on equipment obligations	170,872.50
pal installments due on or before Jan. 1, 1914, on equipment gations	850,000.00
ue vouchers and supply accounts (the unpaid vouchers on May 1913, amounted to $2,697,874.76)	1,504,392.50
Total	4,000,000.00

e Bankers Trust Company as trustee under the refunding and ovement mortgage opposed the issuing of the receivers' cer- tes upon the terms proposed.

e receivers' certificates are dated July 1, 1913, payable one after date, with interest at the rate of 6 per cent per annum ble semiannually. The entire issue was taken by the Equi- Trust Company at various dates during July, 1913, at par, less er cent commission. The amount realized by the receivers was ,40,000. From this fund disbursements were made to September 13, as follows:

st maturing on or before Jan. 1, 1914, upon railroad bonds other n refunding and improvement bonds	$435,050.00
st maturing on or before Jan. 1, 1914, on equipment obligations	138,382.50
ipal installments due on or before Jan. 1, 1914, on equipment igations	658,000.00
lue vouchers and supply accounts	1,504,392.50
Aggregate payments	2,735,825.00

On June 30, 1913, the Equitable Trust Company loaned the ceivers $725,000 on a demand note dated June 28, 1913, bea interest at 6 per cent. The proceeds were deposited in the chanics & Metals National Bank of New York on June 30, 1 This was a temporary loan secured in order to meet interest o gations due on July 1, 1913, and the note was paid by the recei on July 1, 1913, from the proceeds of receivers' certificates.

Securities of Railway and Bridge Companies Owned and C trolled by the St. Louis & San Francisco Railroad Compan

The following is a list of the securities of railroad and bridge c panies owned by the Frisco, and of the securities of similar compa controlled by the Frisco through ownership of the capital stoc the Kansas City, Fort Scott & Memphis Railway and the New leans, Texas & Mexico Railroad.

Explanatory notes follow the table which describe the meth employed in the acquisition of such securities. (See accompan folder for first part of table.)

Securities controlled by St. Louis & San Francisco Railroad Company through owne of New Orleans, Texas & Mexico Railroad Company stock.

Name of corporation.	Class of securities.	Total issues, par value.	Controlled by St. L. & S. F. R. R., par value.	Per cent of ownership.	Time acquired.	Book value.	m
St. Louis, Brownsville & Mexico Railway Co.	Stock.	$500,000.00	[1] $499,100.00	99.5	May, 1910	$1,932,192.17	N
Do	Bonds	12,147,105.08	12,147,105.08	100.0	May, 1910–June, 1913.	12,128,937.28	N
Houston Belt & Terminal Ry. Co.	Stock.	25,000.00	12,500.00	50.0	Aug. 1908	12,500.00	N
Brownsville & Matamoras Bridge Co.	...do..	500,000.00	249,700.00	49.7	May, 1910	249,700.00	N
The Beaumont, Sour Lake & Western Ry. Co.	...do..	85,000.00	[1] 84,100.00	99.0	May, 1906–Oct., 1912.	390,475.42	N
Do	Bonds	2,007,250.74	2,007,250.74	100.0	...do	2,007,250.74	N
The Orange & North Western R. R. Co.	Stock.	35,000.00	[1] 31,500.00	90.0	May, 1906	260,686.99	N
Do	Bonds	1,066,946.51	1,066,946.51	100.0	Oct., 1910	1,066,946.51	N

The difference between total issues and amount controlled represents shares for qualifying dir

Note A.—Stock and bonds of the Brownwood North & South Railway were received in return f advances made to that company for account of construction. Cash principally was paid to F. B. for the stock of the Fort Worth & Rio Grande Railway. A portion of this stock and the bond received in reimbursement for cash advanced. The Frisco secured from the trustee of the ref mortgage $2,812,900 in reimbursement for the foregoing expenditures in accordance with the terms indenture.

Note B.—All of the capital stock of the Colorado Southern, New Orleans & Pacific Railway, qualifying directors' shares, and $1,000,000 par value of the first mortgage bonds were acquired fr Colorado Southern, New Orleans & Pacific Railroad for $2,476,950 in cash. These funds were ob through a sale of $7,500,000 of Frisco collateral trust five-year 5 per cent notes sold to Blair & Comp various dates commencing with April, 1906, at 94.36. The remainder of the proceeds of this sa advanced to the Colorado Southern, New Orleans & Pacific Railway for construction and other pu The name of this company was changed in March, 1910, to the New Orleans, Texas & Mexico R Company.

[illegible] and bonds of railway, bridge, and terminal companies owned by the St. Louis & San Francisco Railroad and securities controlled through ownership of stock of the Kansas City, Fort Scott & Memphis Railway and the New Orleans, Texas & Mexico Railroad.

Name of corporation.	Class of securities.	Total issues, par value.	Owned by St. L. & S. F. R. R., par value.	Controlled through lease of K. C., Ft. S. & M., par value.	Per cent of ownership.	Time acquired.	Cash.	Cash—treasury reimbursed by bonds.	Direct exchange of securities.	Expenditures for additions and betterments.	Miscellaneous.	Remarks.
[illegible] Belt Ry. Co.	Stock	$50,000 00	$50,000.00		100	November, 1902–June, 1903	$16,936.43					
[illegible] Rapid Transit, Light & Power Co.	do	20,200 00	20,200 00		100	do						
[illegible] Terminal Co	do	150,000 00	25,000.00		16⅔	July, 1905	500.00					
[illegible] Southwestern Ry. Co	do	362,000 00	181,100 00		50	October, 1902	181,045.25					
[illegible] Vacuum Pre-Cooling Co	do	60,000 00	60,000.00		100	March, 1912	60,000.00					
[illegible] Belt Ry. Co	Bonds	30,500 00	30,500.00		100	December, 1911	30,390 00					
[illegible] City Terminal Ry. Co.	Stock	1,200,000 00	100,000.00		8⅓	January, 1908	100,000 00					
[illegible] Mobile & Chicago R. R. Co.	Preferred stock	2,000,000 00	216,615.91		10	July, 1911–October, 1911	359,907 42					
Do	Common stock	8,075,300 00	2,385,251.60		30	do						
[illegible] Ry. Co	Stock	25,000 00	25,000 00		100	August, 1912	25,000.00					
[illegible] Union Terminal Co	do	100,000 00	25,000 00		25	May, 1911–November, 1911	12,500 00					
[illegible] Pacific R. R. Co.	do	100,000 00	60,000 00		60	October, 1911	76,755.00					
[illegible] Steel & Interurban Ry	do	10,000 00	10,000 00		100	February, 1912	5,000.00					
[illegible] Refrigerator Line	do	5,000 00	5,000.00		100	August, 1910	5,000 00					
[illegible] North & South Ry. Co.	do	225,000 00	225,000 00		100	June, 1912		$225,000.00				
Do	Bonds	91,000 00	91,000 00		100	do		21,575.78				
[illegible] Rio Grande Ry. Co.	Stock	2,928,300 00	2,928,300 00		100	July, 1901–June, 1911		2,035,192.87				Note A.
Do	Bonds	4,407,000.00	1,544,000 00		34.6	do						Do.
[illegible] Texas & Mexico R. R. Co.	Stock	3,000,000 00	1,994,000 00		99.7	April, 1906		2,470,950.00				
[illegible] San Francisco & Texas Ry. Co	do	504,000 00	504,000.00		100	July, 1901						Note B.
Do	Bonds	200,000 00	200,000.00		100	do			650,000.00			Note C.
[illegible] & Eastern Illinois R. R.	Preferred stock	12,146,500 00	8,402,600 00		69	November, 1902–May, 1913			12,607,750.00			Note D.
Do	Common stock	13,628,100 00	7,217,800 00		53	November, 1902–February, 1904			18,229,157.13			Do.
[illegible] City, Fort Scott & Memphis Ry. Co.	Preferred stock	15,000,000 00	15,000,000 00		100	September, 1901–June, 1911						
Do	Common stock	16,660,000 00	16,660,000.00		100	do			13,519,100.00	$3,150,000.00		Note E.
[illegible] City, Memphis & Birmingham R. R. Co.	Stock	5,970,000.00		$5,974,000.00	100	September, 1901						
Do	Income bonds	6,322,780 00		339,500 00	6.3	November, 1901			339,500.00			Note F.
[illegible] Gulf Northern R. R. Co.	Stock	500,000.00	500,000 00		100	July, 1896						
Do	Bonds	339,000 00	339,000 00		100							
[illegible] R. R. Terminal Co.	Stock	100,000 00	10,000 00		10						$1.00	Note G.
[illegible] R. R. Terminal Co.	do	2,000,000.00	1,000,000 00		50							
[illegible] R. R. Association of St. Louis	do	3,087,800 00	205,500 00		[illegible]							Note H.
[illegible] Northern Ry. Co.	Bonds	1,500,000 00	16,100 00		1 1	March, 1913						
[illegible] Frisco Terminal Co.	Stock	500,000 00	200,000 00		40	March, 1907–November, 1908					13,600.00	Note I.
[illegible] & Northern R. R. Co.	do	1,000,000 00	1,000,000.00		100	May, 1913						Note J.
[illegible] St. Mary & Eastern R. R. Co.	do	5,000 00	5,000.00		100	do					1,544,299.09	Note K.
											895,789.74	Do.

N E C.—The Frisco issued $4,650,000 of Frisco-St. Louis, Oklahoma & Southern Railway first mort- onds, receiving in exchange an equal amount of the bonds of the St. Louis, Oklahoma & Southern ay, $5,500,000 of the stock of that company, and $804,000 of the stock and $200,000 of the bonds of the uis, San Francisco & Texas Railway. The exchange of these securities was effected through the uis Union Trust Company.

N E D.—The preferred and common stock of the Chicago & Eastern Illinois Railroad was acquired quently to September, 1902, by exchange of Frisco 6 per cent preferred-stock trust certificates and per cent common-stock trust certificates on the basis of $150 for the preferred stock and $250 for the on stock.

N E E.—The Frisco acquired $13,510,000 par value of the preferred stock of the Kansas City, Fort & Memphis Railway and $15,000,000 of the common stock of that company in September, 1901, by change with a syndicate committee of Frisco-Kansas City, Fort Scott & Memphis preferred-stock certificates in amount equaling the par value of the preferred stock thus acquired. An additional of $3,150,000 of the preferred stock was received by the Frisco in reimbursement for cash advanced e Frisco for additions and betterments made to the property of the Kansas City, Fort Scott & his Railway.

E F.—The income bonds of the Kansas City, Memphis & Birmingham Railroad were acquired by risco for account of the Kansas City, Fort Scott & Memphis Railway, that company issuing to the an equal amount of its refunding bonds in reimbursement. The stock of the Kansas City, Mem- Birmingham was acquired in 1888 by the Kansas City, Fort Scott & Memphis Railroad and was the Kansas City, Fort Scott & Memphis Railway Company, its successor, in the sale of the property sets to that company in 1901.

E G.—Stock and bonds of the Paris & Great Northern Railroad Company were acquired by the from the St. Louis & San Francisco Railway Company, through the reorganization committee at ne of the receivership in 1896.

E H.—The stocks of the Memphis Railroad Terminal Company, the New Orleans Railroad Terminal any, and Terminal Railroad Association of St. Louis were received by the Frisco as bonuses for cash ced from time to time to those companies, which advances were subsequently liquidated by the r companies, the securities being carried at a nominal book value of $1.

E I.—The bonds of the Cape Girardeau Northern Railway Company, amounting to $16,000, were ed by the Frisco in March, 1913, in settlement of traffic balances and miscellaneous bills due from that any.

E J.—The stock and bonds of the Rock Island-Frisco Terminal Company were received in reimburse- for cash advanced by the Frisco for the construction of the terminal property. The Rock Island are joint users of this property, and also contributed advances in a manner similar to that employed e Frisco.

TE K.—The stocks of the New Iberia & Northern Railroad Company, and the Iberia, St. Mary & rn Railroad Company were acquired in May, 1913, under an agreement dated September 1, 1911, be- A. T. Perkins, syndicate manager, and C. W. Hillard, trustee, the covenants and agreements made e latter being guaranteed by the Frisco. The Frisco issued, under date of May 23, 1913, two notes gating $2,443,088.83 for all of the capital stock and properties of these two companies, paying, in addi- 50,000 in cash for the purpose of liquidating certain indebtedness of the companies named.

TE L.—The entire capital stock of the St. Louis, Brownsville & Mexico Railway, except qualifying ors' shares, and $10,256,000 of the bonds of that company were purchased by the Frisco from the St. Union Trust Company in May, 1910, for account of the New Orleans, Texas & Mexico Railroad any, payment being made by the Frisco partly in cash, partly by a note, and the balance by deposit ds of the New Orleans, Texas & Mexico division. Stock of the Beaumont, Sour Lake & Western ay, par value $19,100, and stock of the Orange & Northwestern Railroad, par value $31,500, were ac- d by the Colorado Southern, New Orleans & Pacific Railway in May, 1906, in settlement with the Construction Company. The remaining stocks and bonds of these three companies were acquired e New Orleans, Texas & Mexico Railroad through funds advanced by the Frisco from time to time hich notes were taken, which notes were in part liquidated by bonds. The Frisco was reimbursed issue of bonds known as the Frisco-New Orleans, Texas & Mexico division first mortgage bonds, are a direct lien upon the property of the New Orleans, Texas & Mexico Railroad, and an indirect pon the other properties through pledge with the trustee of the mortgage of the securities of the three anies owned by the New Orleans, Texas & Mexico Railroad.

TE M.—Twenty-five per cent of the stock of the Houston Belt & Terminal Railway Company is owned e St. Louis, Brownsville & Mexico Railway and an equal amount by the Beaumont, Sour Lake & rn Railroad, this stock having been acquired from the St. Louis Union Trust Company in August, and May, 1910.

OTE N.—The St. Louis, Brownsville & Mexico Railway acquired in May, 1910, 49.70 per cent of the of the Brownsville & Matamoras Bridge Company. This was secured from the St. Louis Union Company in exchange for an equal amount of the bonds of the St. Louis, Brownsville & Mexico ay. The National Railways of Mexico also own stock of this Bridge Company.

Reorganization of the St. Louis & San Francisco Rail Company.

The St. Louis & San Francisco Railroad Company, successor to St. Louis & San Francisco Railway Company, began opera July 1, 1896, under a plan of reorganization dated April 21, 1 The old company passed through a receivership on account of de on the interest on St. Louis & San Francisco Railway consolid mortgage 5 per cent 100-year bonds dated June 11, 1891. property was sold to the purchasing committee under forecl proceedings, and a plan of reorganization was effected with holders of the defaulted bonds, resulting in an assessment of 1 cent on approximately $8,000,000 par value of this issue of b outstanding in the hands of the public. Additional bonds r senting more than $5,000,000 were purchased by the reorganiz committee from the Santa Fe committee. In return for a $1 bond and the payment of the assessment, the depositor was entl to $140 first preferred stock, $1,000 second preferred stock, $1,800 common stock of the new company. An option was exte to the bondholders to subscribe to an issue of consolidated 4 per bonds of the new company, limited to $5,500,000, on the basis per cent of their holdings of old bonds. Upon payment of the scription to this issue, each bond was entitled to a bonus of $469 preferred stock, $670 second preferred stock, and $1,206 com stock of the reorganized company. The net result of deposit $1,000 defaulted bond, paying the assessment thereon, and scribing to $670 of the par value of the new bond issue, was tha owner was entitled to receive $670 in bonds of the new issue $5,285 of the capital stock of the St. Louis & San Francisco Rail

The capital obligations of the St. Louis & San Francisco Rai Company at the time of the former receivership amounte $68,746,726.20. Of this, $42,387,426.20 was bonds and $26,35 was stock.

The new company began operations under the reorganization a total capitalization of $80,974,438.70, an increase of $12,227,71 Of the capital of the new company, $36,383,626.20 was repres by bonds, and $44,590,812.50 by capital stock of an authorized of $50,000,000. The capital stock that was not issued was p in the treasury of the new company. The defaulted issu $11,494,800 of consolidated 4 per cent bonds of the railway comp as well as its capital stock, was canceled and a new issue of $5,50 of consolidated 4 per cent bonds was uttered under the plan of ganization, the other outstanding bonds of the old company l assumed by the reorganized company.

Part of the new bonds of the reorganized company were used for the uisition of certain leased lines of the St. Louis & San Francisco Rilway Company, known as the Salem Branch and the Beaumont Bnch. Eliminating the securities applied to the purchase of these bnches, there was an increase in capital of $9,809,112.50, without a increase in mileage. The fixed charges, however, were not inc ased, as the old company's fixed charges amounted to $2,234,122, wile those of the new company aggregated $1,994,330, a saving of $39,792 per annum.

The following comparative table shows the outstanding securities o the old company and those issued and assumed by the reorganized c npany.

	St. Louis & San Francisco Ry. Co.	St. Louis & San Francisco R. R. to July 1, 1896.
S Louis & San Francisco Ry. second mortgage sixes	$5,666,500.00	$5,666,500.00
S Louis & San Francisco Ry. (N. & W. Division sixes)	1,040,000.00	1,040,000.00
S Louis & San Francisco Ry. first mortgage trust sixes of 1880	984,000.00	984,000.00
S Louis & San Francisco Ry. first mortgage trust fives of 1887	1,099,000.00	1,099,000.00
S Louis & San Francisco Ry. general mortgage sixes	7,807,000.00	7,807,000.00
S Louis & San Francisco Ry. general mortgage fives	12,293,000.00	12,293,000.00
S Louis W. & W. first mortgage sixes	2,000,000.00	2,000,000.00
S Louis & San Francisco Ry. consolidated fours	[1] 11,494,800.00	Canceled.
E uipment lease warrants	3,126.20	3,126.20
S Louis & San Francisco Ry. common stock	11,859,300.00	Canceled.
S Louis & San Francisco Ry. preferred stock	10,000,000.00	Canceled.
S Louis & San Francisco Ry. first preferred stock	4,500,000.00	Canceled.
S Louis & San Francisco R. R. consolidated fours		5,491,000.00
S Louis & San Francisco R. R. common stock		25,397,664.60
S Louis & San Francisco R. R. first preferred stock		4,984,900.96
S Louis & San Francisco R. R. second preferred stock		14,208,247.00
Total	68,746,726.20	80,974,438.76

The difference between $11,494,800 and the $13,000,000 referred to in the text represents bonds that were i he hands of the Atchison, Topeka & Sante Fe, pledged by that company as collateral, and not con s red as outstanding.

T. Louis & San Francisco Railroad Company Capital Stock.

The capital stock of the Frisco issued for reorganization purposes ly, 1896, amounted to $50,000,000, of which $5,409,207.50 was aced in the treasury of the company.

	Issued.	Placed in treasury.
mmon	$29,000,000	$3,602,355.40
st preferred	5,000,000	15,099.10
ond preferred	16,000,000	1,791,753.00
Total	50,000,000	5,409,207.50

No change occurred in these issues beyond authorizing increases to 00,000,000 to comply with Missouri laws, until March, 1913, when an ditional issue of $1,364,000 of second preferred stock was placed i the treasury to reimburse the Frisco for equipment expenditures

in excess of the amount of bonds drawn from the trustee of the gen lien mortgage under the terms of this instrument for reimbursem for such expenditures.

The amount of its own capital stock owned by the Frisco on May 1913, was:

Common	$149.60
First preferred	6,535.10
Second preferred	1,364,153.00
Total	1,370,837.70

Out of a total of 36,023 whole shares of common stock owned by Frisco 19,100 shares were exchanged at par with bondholders of Kansas City Southwestern Railroad, the Kansas Midland Railw and the St. Louis & San Francisco Railway companies for bonds these companies, under the several plans of reorganization affect them, and 16,922 shares were exchanged in 1903 for common st of the Rock Island Company of New Jersey and bonds of the Chica Rock Island & Pacific Railway. Of the first preferred stock, shares were exchanged with bondholders of the St. Louis & Francisco Railway. Of the second preferred stock 687 shares w exchanged with bondholders of the several companies above nar and 17,230 shares were sold in December, 1901, and January, 19 at 70 to the following:

	Shares.
Theodore Greppo	2,030
W. J. Wilson	1,900
H. Clay Pierce	800
Strong Sturgis & Co	2,000
H. B. Hollins & Co	2,000
B. P. Cheney	700
Wm. A. Merrick	5,000
Nathaniel Thayer	2,[illegible]
Wilbur F. Boyle	[illegible]
Henry I. Priest	[illegible]
McIntyre & Marshall	[illegible]
Total	17,[illegible]

The discount of $516,900 occasioned by these sales was char to profit and loss. These transactions virtually disposed of all the stock of the Frisco received by it from the reorganization co mittee in 1896.

St. Louis & San Francisco Railroad Company Funded Deb

The funded debt of the Frisco on June 30, 1897, the first y after the reorganization, amounted to $37,288,850, covering 1, miles of proprietary and owned lines outside of the State of Te or an average of $32,566.70 per mile. On May 27, 1913, the fun debt, including $10,423,937.68 of equipment trusts, amounted $244,003,958.72, covering 3,522.59 miles of owned line, or an aver of $69,268.34 per mile. The interest-bearing debt had been increa $206,715,108.72, or 554 per cent, over 1897, while the owned mile had been increased 208 per cent, and the average per mile had b

eased $36,701.64, or 112 per cent. This statement includes 582,930.01 of the Frisco-New Orleans, Texas & Mexico division ds outstanding, which are both a direct and indirect lien on the h Texas lines. If these were excluded the result would be:

l increase to May 27, 1913	$178,132,178.71
ease, per cent	477
age per mile	$61,154.16
ease per mile	$28,587.46

order to acquire the capital stocks of the Chicago & Eastern ois and the Kansas City, Fort Scott & Memphis Railway, the wing Frisco obligations had been issued:

k trust certificates for Chicago & Eastern Illinois common stock	$18,044,500
k trust certificates for Chicago & Eastern Illinois preferred stock	12,603,750
k trust certificates for Kansas City, Fort Scott & Memphis preferred ck	15,000,000
	45,648,250

xcluding the $28,582,930.01 of New Orleans, Texas & Mexico sion bonds, the Frisco's increased funded debt on May 27, 1913, ounted to $178,132,178.71, while its notes outstanding at the e period aggregated $5,413,765.42. Thus the fixed and floating t had been increased $183,545,944.13. The increase in capital ex- ditures for property and equipment from June 30, 1897, excluding 57,739.76 discount on Frisco bonds which was charged to the perty account, aggregated on May 27, 1913, $103,275,651.21. discounts on the funded debt securities issued by the Frisco ing the same period approximated $28,828,362.72. The increase ixed and floating debt above referred to is summarized as follows:

erty expenditures	$103,275,651.21
ded debt issued for stock of Chicago & Eastern Illinois Railroad d Kansas City, Fort Scott & Memphis Railway	45,648,250.00
ount on funded debt	28,828,362.72
Total	177,752,263.93

he fixed and floating debt obligations issued during the period m June 30, 1897, to May 27, 1913, were $5,793,680.20 in excess of above quoted expenditures, and that amount represents in part cost of securities of other companies acquired by the Frisco and own bonds held in the treasury.

he general practice of the Frisco in issuing its funded obligations the acquisition of properties of other companies was to authorize issuance of its securities to acquire the bonds, and in some cases bonds and stock of the company whose property it was to pur- se. Cash expenditures made for properties, additions, and bet- ments, or securities of other companies, were certified by Frisco cials to the trustee under one or more of its mortgages, and there- n the trustee authenticated and delivered to it bonds as provided

for in the terms of the mortgage. The bonds thus acquired w placed in the treasury of the Frisco, subject to sale according to needs.

It does not appear that in any instance the Frisco received par its securities received from trustees, placed in its treasury, and therefrom. Neither did it obtain par for its securities sold di when issued. The discounts upon its securities sold below par var Prices ranging from 68 to 98 were obtained for the sale of its bo The former price was received on a part of the issue of Frisco refu ing fours sold in 1908. The latter price was obtained for its year 5 per cent notes sold to Mosely & Company in June, 1911. sale of securities at less than par resulted in the large item of disco hereinbefore referred to.

In addition to the issue and sale of its own obligations the Fr received from the Kansas City, Fort Scott & Memphis Railway, capital stock of which is all owned by the Frisco and which it o ates under lease, $14,185,000 of 4 per cent refunding bonds to re burse it for advances made on account of additions and betterm to the property, and to retire underlying issues of the Kansas C Fort Scott & Memphis. These bonds were obtained from tim time under the terms of the mortgage on that property securing issue of its refunding fours, and were sold at prices ranging f $62\frac{1}{2}$ to 90. The lower price was secured on a sale to Seligma Company in July, 1908. The discount on the sale of these bo amounted to $3,172,948.60, which sum is in addition to the disco on issues of the Frisco.

The holdings of the Frisco funded debt securities held in Eu approximate $52,500,000, $46,500,000 of which are Frisco gen lien 5 per cent bonds ($23,000,000 of this issue being designated French series) and $6,000,000 of the Frisco-New Orleans, Texa Mexico division 5 per cent bonds ($5,000,000 of which is also de nated as a French series).

The general lien bonds were marketed through Speyer & Comp and the bonds of the New Orleans, Texas & Mexico division w placed through Salomon & Company.

The last recorded sale of the general lien French series 5 per bonds was effected April 24, 1913, when a block of $1,000,000 sold at 80 and accrued interest, less 2 per cent commission, o actual price of 78 and accrued interest. Additional sales of the s class of bonds to Speyer & Company were effected on May $1,000,000, and May 10 and May 14, $500,000 each, all at the p stated above. The last sale of New Orleans, Texas & Mexico divi bonds was effected in December, 1912, when $747,000 par va thereof were sold to Salomon & Company and G. H. Walker & C pany at 90.

[I]n addition to the funded debt liability of the Frisco, it has [end]orsed its guarantee upon the following bonds, the several amounts [ou]tstanding on June 30, 1912, being shown:

Bonds of other companies guaranteed.

Name of issuing company.	Due.	Amount.	Rate.	Annual interest.
K[an]sas City, Clinton & Springfield Ry. first mortgage bonds..	1925	$3,274,000	5	$163,700
K[an]sas City Terminal Ry. first mortgage bonds..........	1960	[1] 25,094,000	4	1,003,760
N[ew] Orleans Terminal Co. first mortgage fifty-year gold [bo]nds..........	1953	[2] 14,000,000	4	560,000
B[ir]ningham Terminal Co. first mortgage bonds..........	1957	[3] 2,000,000	4	[4] 77,000
R[oc]k Island-Frisco Terminal Ry. Co. first mortgage bonds...	1927	[5] 3,390,000	5	169,500
T[he] Wichita Union Terminal Ry. Co. first mortgage bonds....	1941	[6] 2,300,000	4½	103,400
				2,078,060

[1] Also guaranteed by 11 other railroad companies.
[2] Also guaranteed by Southern Railway Co. jointly with the Frisco.
[3] Also guaranteed by 5 other railroad companies.
[4] Excludes interest on bonds in treasury.
[5] Also guaranteed by the Chicago, Rock Island & Pacific Railway Co. jointly with the Frisco.
[6] Also guaranteed by 3 other railroad companies.

C[h]icago & Eastern Illinois Railroad Company Capital Stock and Funded and Floating Debt.

The capital stock and funded debt of the Chicago & Eastern Illinois [Ra]ilroad Company on June 30, 1900, aggregated $42,661,003.25, [di]vided as follows:

[Co]mmon stock..........	$12,044,800.00	
[Pr]eferred stock..........	7,696,600.00	
Total capital stock..........		$19,741,400.00
[Bo]nds..........	22,682,900.00	
[Eq]uipment trust notes..........	236,703.25	
Total funded debt..........		22,919,603.25
Total capital liability..........		42,661,003.25

The capital liabilities, including short-term notes outstanding on [M]ay 27, 1913, aggregated $101,009,731.25, an increase of $58,348,728. [T]he amount outstanding at the latter date was distributed as follows:

[Co]mmon stock..........	$13,626,100.00
[Pr]eferred stock..........	12,191,700.00
[Bo]nds..........	63,155,200.00
[Eq]uipment trust notes..........	6,917,000.00
[N]otes payable..........	5,119,731.25
Total capital liability..........	101,009,731.25

The increases in the capital liability during this period consist of:

[Co]mmon stock..........	$1,581,300.00
[Pr]eferred stock..........	4,495,100.00
[B]onds..........	40,472,300.00
[E]quipment trust notes..........	6,680,296.75
[N]otes payable..........	5,119,731.25
Increased capital liabilities..........	58,348,728.00

The increase in capital stock, bonds, and notes is accounted for the following expenditures:

Additions and betterments	$10, 785, 080
Acquisition of other railroads	9, 100, 914
Expenditures account of the Evansville & Indianapolis Railroad	2, 302, 860
Equipment	24, 434, 885
Coal properties purchased	4, 418, 632
Total expenditures	51, 042, 373
Net discount on bonds sold	2, 151, 951
Total account for	53, 194, 324

In several instances capital stock of the Chicago & Eastern Illin Railroad was sold above par. On such sales premiums were realiz to the extent of $495,000. Adding this sum to the increase in t capital liabilities the difference between that item and the amou expended, including discount, aggregates $5,649,403.15. This lat amount represents in part securities of various companies acqui by the Chicago & Eastern Illinois Railroad, and securities of its o issue held in the treasury. Of the total net discount on sale of bon $1,826,302.14 is still carried on the books as an asset.

GENERAL CONSOLIDATED AND FIRST MORTGAGE 5 PER CENT BONDS

The last sale of Chicago & Eastern Illinois Railroad general co solidated and first mortgage 5 per cent bonds was on January 6, 19 when $258,000 par value thereof were sold to Kuhn, Loeb & Co pany at 105 and accrued interest, less one-half of 1 per cent co mission.

From July, 1902, to January, 1903, $960,000 par value of this iss were sold to Flower & Company, of New York, at prices ranging fro 121 to 124⅜ and accrued interest. During 1907, $3,000,000 par val were sold to Speyer & Company at 105 and accrued interest, less per cent commission, with the understanding that the bankers we to divide equally with the company whatever profit was realized the bonds over and above the price of 105 and interest. These bon were sold by Speyer & Company at prices ranging from 105 to 110. The profit realized by the Chicago & Eastern Illinois Railroad fro such sales amounted to $17,497.20.

REFUNDING AND IMPROVEMENT MORTGAGE 4 PER CENT GOLD BON

The last sale of refunding and improvement mortgage 4 per cet gold bonds was on June 23, 1911, when $864,000 par value were so to J. and W. Seligman & Company at 80¼ and interest. Other bon of this issue were sold to banking firms at various dates previous June 23, 1911, at prices ranging from 75 to 92.53 and interest.

PURCHASE MONEY FIRST LIEN 5 PER CENT COAL BONDS.

rom February 16 to May 1, 1912, bonds of the par value of 4,06,000 were issued for the purchase of certain coal properties, ts, etc., in Indiana and Illinois. February 16, 1912, interim ds having a par value of $2,680,000 were delivered to Kuhn, b & Company at 89 as of February 1, 1912, and the proceeds, with rest to February 16 at 2 per cent, amounted to $2,387,187.67. the same day the Chicago & Eastern Illinois Railroad gave its e for $300,000 and received that sum from Kuhn, Loeb & Company, ch it deposited in the National City Bank. Simultaneously a ck was drawn on the National City Bank to the order of Kuhn, b & Company for $292,812.33. Kuhn, Loeb & Company then le one check to the Central Trust Company, trustee under the tgage, for $2,680,000, the transaction having the effect of coning from the trustee the price at which the bonds were sold.

Iay 1, 1912, $1,826,000 par value of temporary bonds were delivd to Kuhn, Loeb & Company at 89, and the proceeds thereof, 47,965, including accrued interest amounting to $22,825, were deited with the Central Trust Company. By these transactions the al amount deposited with the trustee was $4,327,965, out of which re was paid—

. H. Byrd for the Burnwell, Korthkamp, Peabody, West Jackson ill, and Oak Hill coal properties	$3, 198, 043. 60
ment for Montgomery properties	761, 060. 00
rued interest	22, 825. 00
	3, 981, 928. 60
returned to treasurer of Chicago & Eastern Illinois	291, 856. 40
remaining on deposit with the Central Trust Company for purase of additional properties	54, 180. 00
	4, 327, 965. 00

une 27, 1912, bonds having a par value of $525,000, and on Febru- 10, 1913, bonds having a par value of $136,000 were delivered to hn, Loeb & Company at 89 and interest. The Chicago & Eastern nois drew checks to the order of Kuhn, Loeb & Company for the disnt, amounting to $72,710, in order that Kuhn, Loeb & Company ild deposit with the trustee $661,000, the par value of the bonds, in concealing from the trustee the price at which the bonds were sold.

St. Louis & San Francisco Railroad Company.

DISCOUNTS, PREMIUMS, AND COMMISSIONS.

The discounts on bonds and notes other than short-term notes issued the Frisco and the Kansas City, Fort Scott & Memphis Railway, ich is controlled by the Frisco, including premiums paid for retirent of underlying issues and commissions paid banks or bankers, gregated $32,152,602.07. To this must be added $234,431.73, repre-

senting stamps, etc., on the general lien bonds sold in Europe, making total of $32,387,033.80. Subtracting the premiums obtained in the e change of one form of securities for the retirement of others, amounti to $1,486,852.25, there remains a net balance of $30,900,181.55 discou borne by the Frisco since it began its refunding operations in 1901.

The disposition of this by the Frisco has been as follows:

Charged to the cost of property	$8, 557, 739.
Charged to the cost of leasehold property	1, 112, 396.
Charged to income	1, 021, 106.
Charged to profit and loss (net)	7, 238, 647.
	17, 929, 889.
Leaving a balance unamortized and carried as an asset of	12, 970, 291.
Total	30, 900, 181.

Tables follow which show the amount of discount applied to ea issue of securities, as well as the names of the banks or bankers whom the securities were sold. A separate table shows how the co missions paid bankers, amounting to $3,106,118.05, were distribut among banks and bankers. It will be seen that the greater part w paid to James Speyer & Company in the sale to them of the Fris general lien bonds.

The discounts applicable to securities of the Frisco aggregat $28,828,362.72, and upon securities of the Kansas City, Fort Sco & Memphis Railway $3,324,239.35. The total funded debt liabili of the Frisco on May 27, 1913, was $244,003,958.72, of whi $4,759,521.04 was held in the treasury. The net liability w $239,244,437.68. From these facts it is seen that of the net amou of funded debt outstanding 12.05 per cent represents discount a commissions. This proportion has been increased since that da by treasury holdings which were pledged as collateral under loa having been confiscated by the holders of the notes and sold by the at prices considerably less than par.

In addition to the above-mentioned discounts and commissio $200,900 was paid to J. P. Morgan & Company in 1903. It appea that during the period February to May, 1903, Morgan & Compa had purchased from the Frisco more than $6,000,000, par value, its refunding 4 per cent bonds, at prices ranging from 80 to 85. Mo than $20,000,000 of this issue of bonds was held by the Seligm syndicate which had acquired them from the Frisco at a price $93\frac{1}{2}$ in July, 1901, for the purpose of refunding underlying issues the Frisco. While no correspondence was obtainable on the subje it is understood that Morgan & Company desired further protecti than that afforded by the discount in order to protect them from t effect of marketing the bonds held by the Seligman syndicate, a that the Frisco awarded them 1 per cent on the amount of bonds n yet marketed by the Seligman syndicate, paid that sum to Morgan Company in cash, and charged it to the property account.

Discounts, premiums, and commissions paid.

Name of security	Amount of issue to which discount applies	Total discount.	J. & W. Seligman & Co. Syndicate	J. & W. Seligman & Co.	Jas. Speyer & Co.	Blair & Co.	Salomon & Co. and Walker & Co	Wm Salomon & Co	J. P. Morgan & Co	Berliner, Handels Gesellschaft	Hallgarten & Co.	Redmond & Co	Drexel & Co.	Moffat & White	Prince & Erb.	F S Mosely & Co	St. Louis Union Trust Co.	The Trust Co. of America	Mercantile Trust Co.	New York Trust Co	Various bond holders
...ing bonds	$68,562,000 00	$10,568,236 67	$6,293,330 41	$253,210 00	$195,652 50	$223,266 67			$1,151,312.50	$780,250	$824,037 91	$492,176.68					$325,000.00				
...less bonds	69,534,218 03	12,344,980 00			12,344,980 00																
...trust bonds—St Louis Memphis & Southeastern	4,000,000 00	322,680.09															322,659 09				
...ble-half-year fives	5,000,000 00	29,240 21			29,202 66															$43 55	
...fives	2,250,000 00	45,000 00														$45,000					
...fives	8,000,000 00	520,000 00			520,000 00																
...four and one-halfs	7,500,000 00	423,000 00				423,000 00															
...sixes	3,229,000 00	315,611 04				312,500.00															$3,141.11
...four and one-halfs	2,000,000 00	150,000.00						$150,000													
...trust sixes	6,125,000 00	245,000 00																$245,000			
...Orleans, Texas & Mexico Div. first mortgage	1,750,000 00	43,750 00																	$43,750		
...equipment trust series "N"	28,582,930 01	3,130,650 00					$3,130,650														
...equipment trust series "P"	900,000 00	9,000 00												$9,000.00							
...equipment trust series "Q"	2,650,000 00	9,937 50												9,937.50							
...equipment trust series "R"	1,450,000 00	99,687 50			99,687.50																
...Memphis & Southeastern ...per cent bonds	1,776,000 00	64,350.00			64,350 00																
...Memphis & Southeastern ...1½ per cent notes	4,333,000.00	100,200 63													$100,200.63						
...loan	21,000 00	397 75													.68		397.07				
...& Western Division first mortgage	438,500 00	94,625 00																			94,625.00
...mortgage trust of 1901	38,000 00	1,900.00																			1,900.00
...Fort Scott & Memphis refunding bonds	1,000 00	76 33																			76.33
...Fort Scott & Memphis equipment trust "A"	25,835,000 00	3,172,948 60		928,500 57		1,276,398 03		667,325					$267,250	69,475.00							
...Fort Scott & Memphis equipment trust "B"	1,300,000 00	19,500.00				19,500.00															
...Fort Scott & Gulf first mortgage	1,700,000 00	40,460.10				40,460.10															
...Missouri & Arkansas first mortgage bonds	2,151,600 00	91,330.76												82,212.00							9,118.76
...	20,000 00	3,675 00																			3,675.00
Total	....	32,152,602.07	6,293,330 41	1,181,710.57	13,553,002.66	2,295,124.70	3,130,650	817,325	1,151,312 50	780,250	824,037.91	492,176.68	267,250	170,614 50	100,201.31	45,000	648,056.19	245,000	43,750	43 55	112,736.19

a Doc. 371, 63-2. (To face page 46.)

Names.	Total.	Frisco refunding bonds.	Frisco general lien bonds.	Frisco consolidated 4 per cent bonds.	Frisco N. O., T. & M. division first-mortgage bonds.	Frisco two-year 6 per cent notes.	Frisco one-year 6 per cent notes.	Frisco two-year 5 per cent notes.	Frisco five-year 4½ per cent notes.	K. C., Fort S. & M. refunding bonds.	K. C., Fort S. & G. first-mortgage bonds.	St. L., M. & S. E. 4 per cent bonds.
Jas. Speyer & Co.	$1,831,560.00		$1,831,560.00									
Seligman & Co. (Syndicate)	406,700.00			$406,700.00								
Salomon & Co. and Walker & Co.	300,000.00				$300,000.00							
Salomon & Co.	52,000.00					$52,00 .00						
F. S. Mosely & Co.	22,500.00							$22,500.00				
Prince & Erb	100,200.63											[1]$100,200.63
J. P. Morgan & Co.	4,360.00	$4,360.00										
Moffat & White	82,212.00										[1]$82,212.00	
Blair & Co.	725.00									$725.00		
Berliner Handels Geselschaft	9,777.50	9,777.50										
Hallgarten & Co.	7,332.92	7,332.92										
The Trust Co. of America	245,000.00								[1]$245,000.00			
Mercantile Trust Co.	43,750.00						$43,750.00					
Total	3,106,118.05	21,470.42	1,831,560.00	406,700.00	300,000.00	52,000.00	43,750.00	22,500.00	245,000.00	725.00	82,212.00	100,200.63

[1] Commissions paid for extending time of maturity, the period varying from one to three years.

OPERATED MILEAGE.

The railroad acquired by the Frisco from the receivers of St. Louis & San Francisco Railway Company consisted of 989 m owned and 57 miles of six separate companies, the capital stoc which was received from the reorganization committee and hel the treasury of the Frisco. The Frisco also acquired by purc from the reorganization committee the St. Louis, Salem & Arka Railway, 54 miles, and the Kansas City & Southwestern Rail 62 miles, lines formerly operated by the St. Louis & San Franc Railway, making a total mileage operated for the fiscal year 189 of 1,162 miles.

The total mileage operated on May 27, 1913, was 4,741 mile which the Frisco owned 3,523, leased 1,205, and had trackage ri over 13. The increased operated mileage of 3,579 miles was sec by the acquisition of 16 lines by the Frisco, the leasing of the Ka City, Fort Scott & Memphis, 919 miles, and the Kansas City, M phis & Birmingham Railroad, 286 miles, and the acquisition of tr age rights over the lines of four additional companies. The fol ing is a list of the lines acquired by purchase, with the approxi mileage thereof:

Atlantic & Pacific Railroad	
Fayetteville & Little Rock Railroad (extension)	
St. Louis & Oklahoma City Railway	
Kansas, Oklahoma & Gulf Railway	
Kansas City, Osceola & Southern Railway	
Arkansas & Oklahoma Railroad	
St. Louis, Oklahoma City & Southern Railway	
Kansas Midland Railway	
St. Louis, San Francisco & New Orleans Railroad	
Oklahoma City & Western Railroad	
Blackwell, Enid & Southwestern Railway	
Sulphur Springs Railroad	
Ozark & Cherokee Central Railroad	
Arkansas Valley & Western Railroad	
St. Louis, Memphis & Southeastern Railroad	
Oklahoma City Terminal Company	
Total	2,

The original mileage acquired from the reorganization commi experienced but few changes. The net result of extensions and a donments and the elimination from the Frisco of 16.94 miles of Paris & Great Northern Railroad, which is now included in operations of that company and reported separately as in the of other Texas lines, added 2½ miles.

FRANCHISE AND PROPERTY.

he property investment of the Frisco on May 27, 1913, amounted 193,923,092.77. This includes certain stocks and bonds of the h Texas lines aggregating $6,667,000 par value, which were iired in part from the reorganization committee and in part by purchase of securities some of which are applicable t properties rtion of whose lines extended into the State of Texas. While the of these securities remains in the property account they were icted therefrom for reporting purposes and reported as securities ied in order to avoid duplication by reporting them both by the co and the reporting Texas companies. The elimination of the unt so reported as securities reduces the book value of the Frisco's erty to $187,256,092.77, distributed as follows:

ost of property purchased from the reorganization committee....		$79,254,232.00
lines, including north Texas lines:		
rkansas Valley & Western	$4,306,769.83	
tlantic & Pacific	1,878,385.06	
rkansas & Oklahoma	350,274.67	
Blackwell, Enid & Southwestern	4,601,344.87	
Kansas, Oklahoma & Gulf	113,364.80	
Kansas Midland	2,164,055.01	
Kansas City Southwestern	1,204,504.09	
Kansas, Osceola & Southern	2,920,409.21	
Kansas Southwestern	761,375.00	
Oklahoma City Terminal Co	51,754.96	
Oklahoma City & Western	4,339,231.50	
Ozark & Cherokee Central	2,980,000.00	
St. Louis, San Francisco & New Orleans	8,538,035.84	
St. Louis, Memphis & Southeastern	22,606,769.83	
St. Louis, Oklahoma & Southern	4,654,300.33	
St. Louis, Salem & Arkansas	1,204,583.46	
St. Louis & Oklahoma City	2,150,611.39	
Sulphur Springs	162,470.45	
Fort Smith & Van Buren Bridge	349,000.00	
Red River, Texas & Southern	1,419,009.40	
Fort Worth & Rio Grande	2,996,042.47	
		69,752,292.17
nditures for additions, betterments, and new equipment		39,866,578.31
llaneous adjustments		10,134.88
unt and premiums, net		[1] 6,315,605.41
		195,198,842.77
ppraised book value of Arizona and New Mexico lands transferred to securities owned	$1,275,750.00	
Securities of north Texas lines deducted at par	6,667,000.00	
		7,942,750.00
		187,256,092.77

[1] The balance of discount and commissions is charged to new lines.

The property accounts of the Frisco include in one item the co road and equipment. Additions and betterments made to the eq ment of the leased lines, including retirements of equipment of companies, are charged and credited to the Frisco property acc making it impracticable to separate with any degree of accuracy accounts between "road" and "equipment" without an un amount of labor. The approximate division of this account bet road and equipment is as follows:

Road	$151, 913, 268. 62
Equipment	35, 342, 824. 15
Total	187, 256, 092. 77

MAINTENANCE OF WAY AND STRUCTURES.

It is doubtful if the amounts charged by the Frisco to oper expenses during the last three years have been sufficient to so r tain the property as to prevent deterioration. The following am have been charged for maintenance of way and structures for the five years:

Year.	Per cent of operating expenses.	Amount.	Miles operated.	A cha r
1909	20. 01	$4, 630, 953. 91	4, 727	[illegible]
1910	20. 22	5, 430, 256. 33	4, 726	[illegible]
1911	18. 38	4, 998, 042. 28	4, 732	[illegible]
1912	17. 56	4, 666, 946. 81	4, 742	[illegible]
1913 to May 27	18. 90	4, 995, 818. 76	4, 742	[illegible]

Using the expenditure of the year 1910 as a basis, it will be that the charges in 1911 are $93 per mile, or about 8 per cent in 1912, $165 per mile, or about 14 per cent less; and in 1913 per mile, or about 8 per cent less. The principal reduction found in the accounts "rails," "roadway and track" (cons principally of labor charges), "bridges," "trestles and culv "buildings, fixtures and grounds," and "ballast." The charg "ties" increased from $1,259,020.40 to $1,319,047.55. This tion in maintenance costs was effected notwithstanding the fac extraordinary charges were passed to the maintenance account the year 1913 account of floods, and revenues were increasing previous years.

The average expenditures for maintenance of way and stru by railroads of the United States operating 243,433 miles of ra at June 30, 1911, the latest period for which complete statisti available, was $1,504 per mile. This sum compares with an exp ture by the Frisco of $1,149 for 1909 and $984 for 1912. The

ason indicates an insufficient expenditure per mile to properly ntain the roadway and structures of this company. The fact t insufficient expenditures have been made in the past by the sco is further evidenced by the amounts expended by the receivers ing the months of July and August, 1913, compared with the enditures for the same months of the previous year, which show ntenance expenditures of $34 per mile in excess of the sums ended during the same months of the previous year. Had the e degree of maintenance been applied to roadway and structures the Frisco as has been applied by the receivers of that company vould have resulted in an additional expenditure of nearly 00,000 per annum for maintenance.

MAINTENANCE OF EQUIPMENT.

harges to operating expenses for maintenance of equipment also e decreased since 1910. The following table shows such charges five years, the locomotive and car miles, and the average cost of airs, including depreciation and renewals, per locomotive and car e:

Year.	Per cent.	Amount.	Locomotive and car miles.	Average repair cost per locomotive and car mile.
9	18.93	$4,380,923.85	286,999,912	$0.0153
9	21.04	5,649,817.61	312,245,502	.0181
9	20.01	5,440,990.12	316,792,656	.0172
9	19.52	5,187,655.85	312,497,279	.0166
9 to May 27	19.99	5,283,537.65	304,152,402	.0174

During this same period operating revenues increased from ,619,712.70 in 1909 to $39,390,343.65 for approximately 11 months 1913, and the value of equipment owned increased from ,412,328.60 to $46,881,549.81.

The expenditures for maintenance of equipment during the months July and August, 1913, increased $42 per operated mile over a ilar class of expenditures for the same months of the previous r, and had the management seen fit to maintain the same standl of its equipment as has been found necessary by the receivers it uld have resulted in an additional expenditure of over $1,000,000 the fiscal year 1912.

It would seem that the maintenance of equipment has been hted. This is further indicated by the fact that equipment retirents in recent years have not kept pace with the actual deterioran of equipment, as evidenced by the decrease in the number of its retired per year from 1906:

Retirements.

Year.	Number of units.	Year.	Num un
1906	1,624	1910	
1907	1,983	1911	
1908	1,694	1912	
1909	3,304	1913	

The charges to profit and loss and to operating expenses account of these retirements decreased from $459,852.71 in 1 to $134,954.41 in 1913.

Proper provision has not been made for depreciation of equipm inasmuch as but one-fourth of 1 per cent has been charged in re years. This is indicative of a desire to comply technically with Commission's classification of operating expenses, but it evidence utter disregard of the true measure of depreciation or obsolescen equipment.

The book value of the equipment owned by the Frisco and Kansas City, Fort Scott & Memphis, and Kansas City, Memph Birmingham lines, as reported to the Interstate Commerce Com sion June 30, 1912, aggregated $46,995,499.47, on which deprecia for the year amounting to $103,152.90 was charged to operating penses. If a rate of 2 per cent had been used on that value for fiscal year 1912, the charge would have amounted to $939,90 while a charge of 3 per cent would have amounted to $1,409,86 The income surplus after dividends for the year amounted $344,412.42, which would have been converted into a defici $492,344.67 on the basis of a 2 per cent depreciation charge, of $962,299.66 on a 3 per cent depreciation basis. Applying same principle to the book value of equipment reported to the C mission for the fiscal year 1911, namely, $44,913,571.12, on w depreciation to the extent of $99,712.85 was charged during the f year, the charge would be $898,271.42 on a 2 per cent basis $1,347,407.13 on a 3 per cent basis. The credit balance of inc for the fiscal year 1911 was $1,816,059.79, which would have reduced to $1,017,501.22 and to $568,365.51 on a 2 per cent a per cent depreciation charge, respectively.

Reports from the master mechanic dated July, 1913, show locomotives set aside to be scrapped, some of which have retired from service since July, 1908. The scrapping of these motives has been deferred apparently to avoid making that ch to operating expenses. At different times since August, 1908 additional locomotives have been set aside which are consid unfit for service and are only fit to be scrapped. They have been scrapped because of the effect that action would have

rating expenses. The total amount involved in these locomotives 74,465.78, which sum, less salvage, would be charged to operating enses if the Commission's classification were adhered to at the e of scrapping.

CONTRACT WITH AMERICAN CREOSOTING COMPANY.

contract was executed March 1, 1907, between the American osoting Company, Henry C. Starr, president, and the St. Louis San Francisco Railroad Company, A. J. Davidson, president, er which the creosoting company agreed, at its own cost and ense, to erect and complete ready for full operation not later n the 1st day of September, 1908, two plants for treating ties timber with the creosoting process, said plants to be located at near Springfield, Mo., and Hugo, Okla. The plants were to be ipped with appliances necessary for the successful treatment each r during the life of the contract of 1,250,000 ties at each plant.

he creosoting company agreed that the plants should be devoted ly to the purpose of treating ties for the railroad company, and t it would not, without the written consent of the railroad, treat or other material for others, or do any commercial business at er plant.

he railroad company agreed to deliver free on board cars at each of plants not less than 65,000 ties within 60 days after completion of plants, and thereafter, from time to time, to deliver ties for each he plants to the extent of 750,000 per year. The railroad company her agreed to transport over its line without charge all material machinery entering into the construction of said plants, all sups, oil, fuel, etc., which might be used in treating its ties, and to nish without charge personal transportation over its rails for the cers and agents of the creosoting company while engaged in going to from the plants on the business of the creosoting company.

he railroad company agreed to pay the creosoting company 28½ ts for each tie treated.

t is understood that this sum was based upon the price of 6 cents gallon for creosote oil delivered at the plants, and the use of 2½ gals of creosote oil for each tie treated. If such oil cost more or less n 6 cents per gallon when delivered there was to be a corresponding rease or decrease in the price per tie paid by the railroad company. n case, upon the written request of the railroad company, more or than 2½ gallons per tie was used the price per tie for treatment was be proportionately changed. The railroad was to make an addinal payment of one-fourth of one cent per gallon for all creosote oil d by the creosoting company in treating the railroad company's s.

The railroad company was in no event to pay the creosoting co pany more than 40 cents per tie for treatment.

This agreement was to continue in full force until January 1, 19 and for a further period of 10 years unless the railroad company sho notify the creosoting company in writing six months prior to t date of its desire to purchase the plants. Should the railroad co pany elect to purchase the plants it was to pay the original price p by the creosoting company for the real estate upon which the pla are located, with interest at the rate of 5 per cent per annum from date of original purchase, to which would be added the full valu said plants taken as a going concern, as such value might be agr upon by the parties.

From the terms of this contract it will be noted that ties wer be creosoted at a price varying from 28½ cents to 40 cents per In addition to the minimum price the excess cost of oil over 6 ce per gallon, the excess amount of oil used over 2½ gallons per tie, an extra allowance of one-fourth of a cent per gallon of oil u accrued to the creosoting company.

An analysis of the vouchers in favor of the creosoting comp from July 1, 1911, to July 31, 1913, shows payments to it aggregat $861,173.44, covering the cost of creosoting 2,744,254 ties at average rate of 31.35 cents per tie. The distribution of the payme indicates a considerable payment on account of excess cost excess quantities of oil:

Cost, at 28½ cents	$782,05
Excess cost of oil over 6 cents per gallon	50,05
Excess oil used over 2½ gallons per tie	6,80
Allowance of one-fourth of 1 cent per gallon	21,48
	860,39
Miscellaneous payments	78
Total vouchers issued	861,17

In comparison with the prices paid by the Atchison, Topek Santa Fe and Missouri, Kansas & Texas Railways for treating the price paid under this contract appears extravagant. The At son, Topeka & Santa Fe pays from 14 cents to 17½ cents per according to the class of wood. It uses approximately 1½ gal per tie of a creosoting named "Rupeing," the cost of which is 7 c per gallon at the port. If the Santa Fe used the same quantit preservative per tie as is provided for in the Frisco contract its p would vary approximately from 21½ cents to 25 cents per tie.

The average cost of creosoting ties on the Missouri, Kansa Texas Railway is 18.759 cents per tie. The amount of preserva used is 1.691 gallons per tie and it costs 7.58 cents per gallon.

company used 2½ gallons per tie, as is provided for in the Frisco ract, the cost per tie would be approximately 25 cents.

his matter was taken up with the Frisco's vice president in charge urchases with a view to determining what safeguards were prod to insure the use on each tie of the quantity of preservative d for in the contract. He stated that the subject had been stigated and reported upon by the proper officials of the Frisco, the files containing such reports could not be found.

quiries developed the fact that Daniel G. Reid, of the Chicago, Rock nd & Pacific Railway, is one of the officials of the creosoting com-, and the information that similar contracts were executed at ame time by the Chicago, Rock Island & Pacific and the Chicago astern Illinois with the American Creosoting Company.

is understood that by mutual consent the operation of the co contract has been suspended for two years, this action having effected by the Frisco receivers.

CHASE OF THE KANSAS CITY, FORT SCOTT & MEMPHIS RAILROAD OMPANY BY THE KANSAS CITY, FORT SCOTT & MEMPHIS RAILWAY OMPANY.

n agreement was executed June 29, 1901, between the Kansas , Fort Scott & Memphis Railroad Company and the Kansas City, Scott & Memphis Railway Company, a newly organized comy, under which the latter company was to acquire the property franchises, subject to all existing liens, and also the current ts and liabilities of the former company.

he purchase price was $14,275,600, payable within 60 days to Mercantile Trust Company, for payment to the holders of 50,000 of preferred stock at $150 per share, and to the holders of ,150,600 of common stock at $100 per share. The stock was to urrendered to the railway company which could make payment he purchase price by delivery of the stock to the trust company.

series of agreements was entered into under date of June 24, 1, between parties interested, one of which was between the way company and Mark T. Cox, James A. Blair, H. C. Pierce, c N. Seligman, and J. Kennedy Tod, a committee under a syndie agreement dated March 8, 1901. The syndicate had purchased ,095,800 of the common stock and $2,670,300 of the preferred k of the railroad company and was to pay the purchase price the Mercantile Trust Company for account of the railway comy. The syndicate was to also pay for certain construction of the nsas City, Fort Scott & Memphis Railway Company of Oklahoma to transfer the entire capital stock of that company to the railway apany. They were also to pay the cost of relaying new rail ween Baxter Springs and Miami, Okla., and to transfer to the

railway company 29,427 shares of the capital stock of the Kan City, Memphis & Birmingham Railroad.

In order to secure the funds necessary to finance this arran ment the railway company issued to the above-named commi $11,650,000 of its refunding mortgage bonds secured by the prope purchased, $13,510,000 of its preferred capital stock, and $15,000, of its common stock. The Frisco was to guarantee the mortg bonds and was to issue $13,510,000 of its 4 per cent preferred-st trust certificates in exchange for the preferred stock of the rail company upon deposit by the committee with a trust company preferred stock of the railway company in the same amount, and addition, was to receive the entire issue of the common stock of railway therefor. The Committee were to offer to the stockhol of the Frisco the right of subscription to the mortgage bonds preferred-stock certificates, the offering to consist of $25 in bonds $29 in Frisco stock trust certificates for a cash payment of $42 The syndicate was to underwrite the subscription, which amou to $19,795,770.50. Of this amount the syndicate subscribed $ 266,203.75, which included $66,358.75 interest, and the balance subscribed by Frisco stockholders.

The agreement with the committee provided that they were receive $16,000,000 of the proceeds with interest from May 15, 1 a 2½ per cent commission, a profit of 10 per cent to Blair & Comp J. & W. Seligman & Company, and J. Kennedy Tod & Company per cent to H. Clay Pierce, and 20 per cent to Robert Winthro Company, on the several amounts subscribed by them to the sy cate. The expenses of the committee, including commission, cou fees, etc., were to be paid and any balance remaining was to be pai the Frisco. Under this agreement the Frisco received $440,88

The property was leased to the Frisco August 23, 1901, for the t of the corporate existence of the Frisco. The property is still oper under this lease, which provides for payment of the interest on bonds, 4 per cent dividends on the preferred stock, and all o charges. All of the earnings or income revert to the Frisco.

The effect of this transaction was that the new company, by acquisition of the Current River Railroad and by new lines construc increased its operated mileage from 719.45 miles in 1900 to 85 miles in 1901. The $18,529,600 funded debt of the old comp $1,606,000 of bonds of the Current River Railroad, $481,510 eq ment bonds and $11,650,000 of bonds of the new company assumed by the new company. Thus there was a total incr in the funded debt of $13,737,510, while $28,510,000 of capital s of the new company was issued in lieu of $12,900,600 of stock of old company, or a total increase in capital of $29,346,910 agains increase in mileage of approximately 131½ miles.

t appears that only one dividend was paid by the Kansas City, t Scott & Memphis Railroad upon its stock, that dividend being er cent upon the preferred stock in 1900, while, as has been seen, lease provided for annual dividends of 4 per cent on the preferred k, and the purchase of the property was made on a basis of par the common stock and 150 for the preferred stock.

)rganizing the new company and disposing of the securities ough the syndicate was not a labor of love on the part of those composed the syndicate. The commissions received by them ounted to $494,894.44, and their profits on subscriptions were 783,207.15, divided as follows:

Name.	Amount of subscription.	Commission.	Profit.	
			Rate.	Amount.
			Per cent.	
. Pierce	$3,938,647.98	$136,631.48	15	$590,797.20
ert Winthrop & Co	3,794,540.17	131,631.48	20	758,908.03
d W. Seligman & Co	3,386,384.15	117,473.61	10	338,638.42
r & Co	711,486.96	24,680.90	10	71,148.69
n Trust Co. of St. Louis	540,479.02	18,750.00		
issippi Valley Trust Co	540,479.02	18,750.00		
ouis Trust Co	540,479.02	18,750.00		
ennedy Tod	144,150.51	5,000.00		
N. Seligman	144,150.51	5,000.00		
k T. Cox	144,107.81	5,000.00		
es A. Blair	144,150.51	5,000.00		
ennedy Tod & Co	237,148.09	8,226.97	10	23,714.81
Total	14,266,203.75	494,894.44		1,783,207.15

OLUTION IN THE SENATE OF THE UNITED STATES, JULY 2, 1913.

esolved, That the Interstate Commerce Commission, in connection i its investigation of all the facts and circumstances concerning purchase of the Chicago & Eastern Illinois Railroad by the Louis & San Francisco Railroad Company and the subsequent iversship of both railroads, as heretofore ordered by resolution of Senate, also investigate, if it has not the evidence on hand, and rt to the Senate all the facts and circumstances concerning the chase of the St. Louis, Brownsville & Mexico Railroad in the te of Texas by the St. Louis & San Francisco Railroad Company, information to contain the total cost, directly and indirectly, he purchase of said St. Louis, Brownsville & Mexico Railroad by St. Louis & San Francisco Railroad and the method by which e was acquired and the person or persons to whom the purchase e thereof was paid, or who directly or indirectly participated in h sale or were benefited thereby, including the total cost of construction of the St. Louis, Brownsville & Mexico Railroad and the al amount and value of donations or bonuses contributed in cash otherwise in consideration of or as an inducement to the construction of said road, the amount paid to all persons, firms, or corations in consideration of the construction of said railroad, or any t thereof, and the names of any and all persons who were interested contracts for such construction or who participated in or were nefited by such contracts, directly or indirectly, and any and all ner facts tending to show what profit was derived, directly or lirectly, by any and all persons from the construction, operation, sale of the said St. Louis, Brownsville & Mexico Railroad, and by om derived, and whether, since the construction of said railroad, operation has been profitable or unprofitable, and if unprofitable, e reasons therefor.

Louis, Brownsville & Mexico Railway Company, General Facts.

receiver for the St. Louis, Brownsville & Mexico Railway was ointed July 4, 1913, in the person of Mr. Frank Andrews, of the firm of Andrews, Ball & Streetman, Houston, Tex. This action taken on a petition filed by the St. Louis Frog & Switch Company ying for a receivership on account of unpaid bills due from the way company amounting to $6,469.95 for material and sups furnished by the petitioner to the railway company.

he St. Louis, Brownsville & Mexico Railway, hereinafter referred s the Brownsville, was organized under the laws of the State of as, June 5, 1903, with a capital stock of $1,000,000. The articles ncorporation of this company were signed by the following: Rob- J. Kleberg; Robert Driscoll; Robert Driscoll, jr.; Arthur E. Spohn; H. Caldwell; Jno. G. Kennedy; R. King; James B. Wells; Uriah t; George F. Evans; Francisco Yturria; Thos. Carson; Jno. J. lder; Caesar Kleberg; Jno. B. Armstrong.

he purpose of the corporation was to own and operate a railroad m Brownsville to Sinton, Tex., with a branch southeast to Star nty from a point 25 miles north of Brownsville. The whole apximated 192.5 miles. A construction contract was executed been Johnson Brothers and the Brownsville which provided that work of construction would begin within 30 days and be completed July 1, 1904. The completed railroad was to be satisfactory to an gineer selected by B. F. Yoakum and Samuel Fordyce. The conctors were to receive payment for construction in monthly installnts in the capital stock of the Brownsville which was to be desited with the St. Louis Union Trust Company as trustee.

In order to further extend the railway to Houston, Tex., 209 les, an additional amount of $2,850,000 in capital stock was thorized, and for construction of the line to Bay City counsel was tructed by the directors to prepare a contract with Johnson others on the basis of $15,000 per mile, payable one-half in cash d one-half in 5 per cent bonds of the Brownsville. The railway company was to furnish the entire right of way and assume all engineering penses.

The line extending from Brownsville to Robstown, 141.45 miles, s turned over to the railway company for operation on July 4, 04. The 55.4 miles from Harlinger to Fordyce was opened for eration in December, 1904, and the 20.7 miles from Robstown to nton in April, 1905.

A committee of five, composed of B. F. Yoakum, Samuel Fordyce, Thomas H. West, Robert H. Brookings, and Edw Whittaker was organized in 1903 for the purpose of constructing railroad from Robstown to Brownsville, and they made arra ments to receive the lands and money which were donated for purpose of aiding in the construction of the railroad and the deve ment of the land. The committee received about 90,000 acre land, the greater portion of which was donated by Mrs. C. K J. G. Kennedy, J. B. Armstrong, and F. Yturria. Several s contributions of land were made by R. Driscoll, J. B. Wells and ot in Brazoria and Matagorda counties. The committee agree buy and did buy some additional parcels of land from the contri ing parties.

After obtaining the land the committee organized a syndic appointed the St. Louis Union Trust Company of St. Louis, syndicate manager, and turned over to the syndicate all the l received by them, entering into an agreement with the syndi to construct the railroad, develop the land, and carry on what operations seemed to be for the benefit of the syndicate. Som the land donated was transferred to land or townsite compani part of the stock in which was held for benefit of the syndicate a part by donors of the land. The land not so placed was transfe to a corporation called the West Texas Abstract & Guarantee C pany and held by it for the benefit of the syndicate. In addi to the land donations cash bonuses amounting to $40,000 were rece from donors at Bay City and Brownsville, and $150,000 was don by the Calhoun County Cattle Company in connection with the O'Connor branch. The donated lands were eventually dispose for account of the syndicate. The land deals, the cash bonuses, the syndicate exploitations resulted in a profit to the syndicat $892,487.21.

The syndicate was composed of 99 members, who contrib $3,980,999.20 toward the construction of the railroad. Additi funds were secured from the sale of temporary bonds and notes is by the Brownsville. After the Brownsville issued its secur amounting to $10,756,000, as authorized by the Texas railroad mission, an agreement was executed between the St. Louis U Trust Company as syndicate manager and the Frisco, dated De ber 1, 1909, under which the Frisco was to purchase these, additional securities having a par value of $455,450, for the su $11,827,200, with interest from December 1, 1909. Payment made by the Frisco on May 26, 1910, in the sum of $12,122,89

The effect of the entire transaction was that the syndicate sec a profit of $3,011,929.75, which included the profits on land, the donations, and the syndicate operations. The profit represe

7 66 per cent on the subscription of each syndicate member and was d ided among the subscribers, who at final distribution were:

Name of subscriber.	Amount of subscription.	Name of subscriber.	Amount of subscription.
J es H. Allen	$33,333.34	J. G. Miller	$10,000.00
A rican Central Trust Co	33,333.33	I. W. Morton Estate [4]	33,344.45
J n Green Ballance	13,333.33	Jeanette F. Morton	16,672.22
C F. Barnes	6,666.67	H. G. Mudd	13,333.33
J ph D. Bascom	25,083.33	Eliza McMillan	37,000.00
C . Beggs	38,000.00	Lucie McMillan	2,785.42
W K. Bixby	108,000.00	N. A. McMillan	15,500.00
D . Bixby	1,200.00	Wm. O'Herin	6,822.21
W K. Bixby, trustee	225.70	Isaac H. Orr	6,666.67
S t H. Blewett	2,000.00	Mary C. Orr	6,666.67
A a Bliss	6,666.67	L. F. Parker estate [5]	37,400.00
C herine M. Boland	100,333.33	Charles Parsons Pettas	13,333.33
J . Brockmeier	10,833.33	A. T. Perkins	22,000.00
R ert S. Brookings	159,444.44	Mrs. Eva L. Perkins	6,666.67
J es Campbell	334,166.67	J. W. Peters	6,666.67
G rge H. Capen	3,333.33	Frank R. Rice	13,333.33
S D. Capen	3,333.33	Ellen F. Richards	10,033.33
S D. Capen and Geo. H. Capen	6,666.66	St. Louis Union Trust Co	216,550.01
G rge O. Carpenter	25,083.33	Andre C. Scanlan	25,083.33
D iel Catlin	40,000.00	Phillip C. Scanlan	25,083.34
A nzo C. Church	126,166.66	F. Schafly	25,833.34
P cival W. Clement	10,000.00	Henry C. Scott estate [6]	35,416.66
M k T. Cox	33,333.34	John Scullin	76,000.00
T s. W. Crouch	10,033.34	Henry Seibert	33,333.33
J n B. Dennis	50,000.00	Gust Setz	6,666.65
E ma R. Dickson	7,500.00	J. H. Sheets estate [7]	26,666.67
J ph Dickson	33.33	John F. Shepley	29,166.66
V. Dubrouillet	1,866.66	Henry Shoemaker	66,666.00
M y H. Elliott	6,666.66	W. A. Shoemaker	3,000.00
G. Edwards & Sons	96,666.67	E. C. Simmons	100,333.33
Elliott, jr	6,666.66	Jay Hernden Smith	14,583.33
J ie Valle Ewing	6,666.66	Joseph N. Smith	5,000.00
M. Felton	10,000.00	David Semmers	11,111.11
J n D. Filley	23,500.00	W. B. Spaulding	18,333.33
ry McKinley Filley, trustee	10,033.33	Speyer & Co	100,000.00
W. Fordyce	124,666.66	A. C. Stewart	2,000.00
ncis Bro. & Co.	33,333.33	H. P. Taussig	11,111.11
B. Graham Estate [1]	100,333.33	John R. Thomas	25,083.34
n. E. Guy	82,666.67	Marie S. Tiffany	25,083.33
uis M. Hall	13,333.33	W. P. H. Turner	13,333.33
H. Hamilton	16,666.67	G. H. Walker & Co	60,666.66
Hawley	83,333.33	Anna Cecelia Warner	10,666.66
F. Hinckley Estate [2]	25,833.33	Eloise Warner	300.00
M. Houser	20,666.66	Thomas H. West	131,666.67
M. Johnston	108,666.66	M. C. Wetmore [8]	25,083.34
bert McK. Jones	25,083.33	Edward Whitaker	62,000.00
eph Lathrop	5,200.00	Whitaker & Co	91,166.67
F. Leonard	20,000.00	B. F. Yoakum	300,833.33
ques Levy Estate [3]	8,000.00		
ward Mallinckrodt	100,333.33		3,980,999.20
nry M. Meier	26,666.66		

[1] Original subscriber, B. B. Graham, deceased.
[2] Original subscriber, J. F. Hinckley, deceased.
[3] Original subscriber, Jacques Levy, deceased.
[4] Original subscriber, I. W. Morton, deceased.
[5] Original subscriber, L. F. Parker, deceased.
[6] Original subscriber, Henry C. Scott, deceased.
[7] Original subscriber, J. H. Sheets, deceased.
[8] Original subscriber, M. C. Wetmore, deceased.

A summary of the liquidation of the syndicate operations follows:

Summary.

	Receipts.	Disbursements.
lance of syndicate funds unexpended	$61,729.35	
oceeds from sale of securities to the Frisco	11,827,200.00	
oceeds of land sales and cash donations	892,487.21	
sh paid to St. L., B. & M. Ry		$200,000.00
r redemption of $3,000,000 mortgage bonds and $2,340,000 notes of St. L., B. & M. Ry., with interest		5,475,275.95
yment to B. F. Yoakum for services and expenses		55,729.03
iscellaneous indebtedness of syndicate		57,482.63
istributed to syndicate subscribers		6,992,928.95
Total	12,781,416.56	12,781,416.56

The total amount spent by the syndicate in constructing and equ ping the Brownsville, based on a statement secured from the St. Lo Union Trust Company, was $9,708,758.26, and on this the abo stated profits have been determined. The statement of the St. Lo Union Trust Company does not agree with the records of the Brow ville, which indicate that but $8,932,080.78 was spent on the prope by the syndicate to December 1, 1909. The difference of o $770,000 appears to represent expenditures made by the syndic for account of the Houston Belt & Terminal Railway Compa which were liquidated by bonds and interim certificates of that co pany and should not be confused with expenditures for the Brow ville. This view has been disputed by A. T. Perkins, vice presid of the Brownsville, but no evidence has been submitted disprov this fact. The expenditures shown in the records of the Brownsv distribute the $8,932,080.78, as follows:

Construction, Johnson Bros	$4, 565, 58
Construction, P. M. Johnson	990, 80
Advances to St. Louis, Brownsville & Mexico Ry	1, 816, 57
Equipment	959, 12
Right of way and terminal grounds	26, 34
Loans and notes	55, 53
Operating expenses	41, 80
Supplies and wages	76, 54
Interest, commissions, and miscellaneous expenses	399, 76
Total	8, 932, 08

A valuation was placed upon the property by the Texas railw commission early in 1910, and it granted authority to the Brow ville to issue securities to the extent of $10,756,000. Under t authority the Brownsville issued $10,256,000 of its first mortg 6 per cent bonds dated December 1, 1909, due December 1, 19 and reduced its capital stock from $1,221,500 to $500,000. Th securities were taken by the syndicate as the purchase price of property and $200,000 in cash, which sum was deposited to credit of the Brownsville.

An agreement was executed December 1, 1909, between the Louis Union Trust Company, acting as manager for the Brownsv syndicate, and the Frisco, wherein the Frisco was to purchase fr the syndicate manager the following securities:

	Par v
St. Louis, Brownsville & Mexico Railway capital stock	$500,
St. Louis, Brownsville & Mexico Railway first-mortgage bonds	10, 256,
62½ shares Houston Belt & Terminal Railway stock	6,
250 shares Brownsville & Gulf Railway stock	25,
1,302 shares Rio Grande Railroad stock	130,
2,500 shares Brownsville & Matamoras stock	250,
$44,000 par bonds Rio Grande Railroad	44,
Total	11, 211,

'ie agreed price was $11,827,200, with interest from December 1, (. This transaction was completed on May 26, 1910, by the co paying to the St. Louis Union Trust Company the agreed e of $11,827,200 and interest of $295,967.72, a total of 122,897.72. In settlement the Frisco paid $5,400,000 in cash, uted a note in favor of the St. Louis Union Trust Company for 00,000 due December 1, 1910, and secured the balance of 22,897.72 by depositing with the trust company Frisco-New ans, Texas & Mexico division bonds at 90.

order to pay for part of these securities in cash the Frisco uted an issue of bonds known as the Frisco-New Orleans, Texas exico division bonds, and sold a portion of same. The amount iese bonds authorized was $50,000,000, secured by the property ie New Orleans, Texas & Mexico Railroad, and the securities of Beaumont, Sour Lake & Western, the Orange & Northwestern, the Brownsville Railways. Of this issue $26,000,000 was au- ticated and delivered to the Frisco May 26, 1910, to reimburse r advances made to and on account of the New Orleans, Texas & ico Railroad and its predecessor of approximately a similar unt for construction and the acquisition of the securities of the named. The securities purchased with the proceeds of this , together with those of the other companies named, were ered to the trustee under the mortgage as additional security efor, and were charged to the New Orleans, Texas & Mexico road by the Frisco as advances.

CAPITAL ASSETS AND LIABILITIES.

'ie total cost of the Brownsville on June 30, 1913, was 701,822.54, of which amount $1,207,069.65 represented the cost quipment. This covers 471.8 miles of owned line, and is an age of $24,353 per mile, excluding equipment, or $26,910 per , including equipment. The amount of stock and bonds out- ding on the same date was $12,679,105.98, or $22,716.56 less the property costs, as shown by the books. The funded debt unted to $25,814 per mile.

comparison of the latter figure with the average of 15 other lines ating in Texas for the year 1912 is as follows:

	Other Texas lines, 1912.	St. Louis, Brownsville & Mexico Ry., 1913.
d debt	$321,307,914.41	$12,179,105.98
e owned	11,241	471.80
ge per mile	$28,583.57	$25,814.00
st on funded debt	$12,496,198.53	$706,052.03
st per mile	$1,111.66	$1.496.51

The funded debt per mile of the Brownsville is less than the ave of the other Texas lines, while its interest charges are higher than average of the others to the extent of $384.85 per mile. Thi accounted for by the fact that all of the funded debt of the Brov ville line, excepting $32,000 of equipment bonds, are 6 per cent m gage bonds, while the funded debt of the other companies incl nearly $70,000,000 of issues, principally income bonds, on which interest is paid.

The total capital liabilities of the Brownsville outstanding on J 30, 1913, were $12,679,105.98, divided as follows:

Capital stock	$500,000.00
Funded debt	12,147,105.98
Equipment trust notes	32,000.00
Total	12,679,105.98

All of the above securities, excepting the $32,000 equipment t notes and $900 par value of the capital stock which is held for q fying directors, are owned by the New Orleans, Texas & Mexico I road. The $500,000 capital stock and $10,256,000 of the mort bonds were purchased by the Frisco for account of this com May 26, 1910, from the St. Louis Union Trust Company. The a tional issues of mortgage bonds since that date are as follows:

August, 1911, $502,000 issued to A. T. Perkins in payment for cost of constr of the Port O'Connor branch. These bonds were sold by Perkins on date of is the New Orleans, Texas & Mexico Railroad at cost. August, 1911, $616,000. ber, 1912, $295,541.99. May, 1913, $171,505. June, 1913, $306,058.99.

The four latter issues were delivered to the New Orleans, Tex Mexico Railroad to liquidate notes issued by the Brownsville to company for advances made by it and for interest on such adva and bonds. In addition to the liabilities described above the Bro ville is indebted to the New Orleans, Texas & Mexico Railroa similar items to the extent of $790,529, evidenced by demand n

OPERATION.

Considered from the standpoint of income the operation o Brownsville appears to have been unprofitable since 1909. merous causes are advanced by officials of that company and o Frisco as being responsible for the unprofitable operation o property, among which are:

First. Unsettled conditions in the Republic of Mexico, w prevent an interchange of through business with the National a ways of Mexico via Brownsville, Tex., and Matamoras, Mexico.

Second. Failure of crops on the line of the Brownsville.

Third. Lack of refrigerator equipment necessary to move ishable products, consequent damage to shipments, and subsec payments of loss and damage claims thereon.

ourth. Glutted market conditions and inability of producers to rket their products at a profit, resulting in allowing such products emain unshipped.

ifth. One-way loaded-car movement resulting from the transtation of empty stock and refrigerator cars south because of inicient inbound traffic to provide loaded movement both ways.

ommodity statistics for that line for the year ended June 30, 2, show the following freight-traffic movement:

	Per cent.
Products of agriculture	26.14
Live stock	6.67
Other animal products	.78
Stone and sand	13.38
Other products of mines	6.11
Lumber	18.12
Other products of forests	5.73
Manufactures, merchandise, etc	23.07
Total	100.00

ll of the above causes may have contributed to the unsatistory results from the operation of this property, but it would m that the more important cause of the deficits since 1909 has n the item of interest on capitalization.

ross earnings have increased from $207,288.30 for the fiscal year 5 on an operated mileage of 233.75 miles to $2,930,691.75 for the al year 1913 on 517.74 miles. The operating ratio has increased ring the same period from 54.96 per cent to 79.94 per cent, as lows:

	1905		1913	
	Per cent of revenue.	*Per cent of expenses.*	*Per cent of revenue.*	*Per cent of expenses.*
ntenance of way	6.25	11.40	15.80	19.76
ntenance of equipment	6.42	11.67	11.06	13.84
nsportation	37.71	68.62	47.19	59.04
ffic			2.01	2.51
eral	4.57	8.31	3.88	4.85
	54.96	100.00	79.94	100.00

It will be noted that maintenance of way expenses show the ger increase, due to the lack of necessity for extensive maintenance a new property during the year 1905. Equipment maintenance reased but slightly, and this item includes only one-fourth of 1 r cent for depreciation for the year 1913. Transportation costs d traffic costs increased, although a decrease is shown in the ratio these two items. A decrease is shown in general expenses.

The net operating income, after deducting expenses and taxes, nounted to $92,633.05 for 1905 and $519,585.03 for 1913, while other

income was increased from $2,946.40 to $9,961.17, making the to corporate income for 1913 $529,546.20.

Of this amount $204,224.54 net was required to pay for hire equipment, $26,992.30 being due the Frisco for use of locomotiv $189,916.56 due the Frisco, other carriers, and private-car lines use of freight cars, and $8,639.97 due to Frisco family lines and Pullman Company for use of passenger cars. The amounts receiva for work equipment and adjustments reduced the amounts paya by $21,324.29. These charges indicate that the equipment owr by the company is insufficient for its needs. While it is compel to pay large sums for rent of equipment it may be that the cou followed is economical as compared with the interest it would compelled to pay on the purchase price of equipment necessary the conduct of its business, of which a large part might be idle times because of the periodical movement of seasonable commoditi

During the 1913 period rents consumed $90,104.71 of the corpor income, distributed as follows:

Use of tracks, Texas & Mexican Railway, Robstown to Corpus Christi	$4, 751
Use of tracks, Gulf, Colorado & Santa Fe Railway., Algoa to Houston	10, 48
Use of tracks, Rio Grande Railway., Brownsville to Rio Grande Junction	257
Use of terminal facilities, Houston Belt & Terminal Railway	74, 609
Total	90, 10

Interest on $790,529 demand notes due the New Orleans, Texa Mexico Railroad required $56,325.30. The aggregate of th charges and $570 of miscellaneous rents is $351,224.55, leavin balance for interest on funded debt of $178,321.65.

Interest on the funded debt for the year ended June 30, 19 amounted to $706,052.03. Of this $2,634.17 was interest on equ ment trust notes. The balance was on 6 per cent bonds. T interest charge was, therefore, $1,496.51 per operated mile, while net revenue was $1,135.77 per mile. This single fact would m insolvency certain. A receivership would of necessity have co much earlier if the Frisco through the New Orleans, Texas & Mex Railroad had demanded payment of interest due.

The principal difficulty with this company has been inability to m the interest on its bonds. Its total capitalization is $12,670,105. Its capital stock is only $500,000. Its interest-bearing debt i $12,179,105.98, all of which, excepting $32,000, bears interest a per cent. The ratio of interest-bearing securities to the total securities outstanding is 96.06 per cent. This is an excessive ra even when compared with the Frisco, which has a ratio of 82.63 cent. It is apparent that in the sale of this property the St. Lo Union Trust Company took in payment all of the interest-bear securities of the Brownsville that the laws of the State of Texas p

ited the Brownsville to issue. The proportions of capitalization between stock and bonds on Texas properties is optional with the sing company, except that at least $1,000 per mile must be represented by capital stock.

comparative table of operating results and other statistics all lines in the United States having gross earnings of more than 00,000 per year, compared with 16 lines operating in Texas and the Brownsville, and an additional table of statistics applicable he latter line, follow:

Operating revenues and expenses—Statistics for fiscal year ending June 30, 1913.

Item.	All roads in the United States showing gross earnings of $1,000,000 or over per annum.		Large roads operating in the Southwest.		St. Louis, Brownsville & Mexico Ry. Co.	
	Total.	Average per mile of line operated.	Total.	Average per mile of line operated.	Total.	Average per mile of line operated.
..ht revenue	$2,134,583,675.86	$9,626.14	$93,486,904.00	$6,043.91	$1,814,980.55	$3,505.58
..nger revenue	678,487,867.25	3,059.72	33,896,569.00	2,191.41	916,474.93	1,770.14
..s operating revenues	3,057,163,762.78	13,786.62	136,062,982.00	8,796.45	2,930,691.75	5,660.55
..l operating expenses	2,118,585,896.52	9,554.00	102,605,320.00	6,633.41	2,342,659.57	4,524.78
..perating revenues	938,577,866.26	4,232.62	33,457,655.00	2,163.03	588,032.18	1,135.77
..ating ratio, per cent.	69.30	....	75.41	....	79.94	....
..age mileage operated	221,748.58	....	15,467.95	....	517.74	....

St. Louis, Brownsville & Mexico Railway Company statistics, years ending June 30.

	1905	1906	1907	1908	1909	1910	1911	1912	1913
Owned mileage	217.55	399.54	399.54	406.69	411.19	448.77	463.91	463.91	471.80
Operated mileage	233.75	415.74	415.74	451.29	455.79	494.00	509.85	509.85	517.74
Gross operating revenue	$207,288.30	$272,896.32	$614,285.78	$903,378.63	$1,315,766.65	$1,612,214.62	$1,907,360.74	$2,399,793.78	$2,930,691.75
Operating expenses	$113,932.81	$170,963.53	$366,872.18	$649,426.74	$927,769.23	$1,250,854.61	$1,459,773.13	$1,722,908.62	$2,342,659.57
Operating ratio	54.96	62.65	59.72	71.89	70.51	77.59	76.53	71.79	79.94
Net operating revenue	$93,355.49	$101,932.79	$247,413.60	$253,951.89	$387,997.42	$361,360.01	$447,587.61	$676,885.16	$588,032.18
Gross revenue per mile operated	$886.79	$656.41	$1,477.57	$2,001.76	$2,886.78	$3,263.59	$3,741.02	$4,706.86	$5,660.55
Operating expenses per mile operated	$487.41	$411.23	$882.45	$1,439.05	$2,035.52	$2,532.09	$2,863.14	$3,379.24	$4,524.78
Net operating revenue per mile operated	$339.38	$245.18	$595.12	$562.71	$851.26	$731.50	$877.88	$1,327.62	$1,135.77
Total funded debt, including equipment trust obligations	$1,063,000.00	$1,480,000.00	$2,569,275.00	$4,053,425.00	$5,141,000.00	$10,351,000.00	$10,362,868.60	$11,427,000.00	$12,179,105.98
Interest on funded debt, including interest on equipment trust obligations	$35,433.33	$67,050.00	$110,662.55	$203,118.80	$229,641.29	$470,658.88	$622,195.27	$687,685.29	$706,052.03
Average per mile of road:									
Funded debt per mile of road owned	$4,886.23	$3,704.25	$6,430.58	$9,966.86	$12,502.74	$23,065.27	$22,338.10	$24,631.93	$25,814.13
Funded debt per mile of road operated	$4,547.59	$3,559.91	$6,180.00	$8,981.86	$11,279.32	$20,953.44	$20,325.32	$22,412.47	$23,523.59
Interest on funded debt per mile of road operated	$162.87	$167.82	$276.97	$499.44	$558.48	$1,048.77	$1,341.20	$1,482.37	$1,496.51
Ratio of net operating revenue to total funded debt	8.78	6.89	9.56	6.27	7.55	3.49	4.32	5.92	4.83
Ratio of interest on funded debt to net operating revenue	37.96	65.78	44.73	79.98	59.19	130.25	139.01	101.60	120.07

PROGRESS OF RECEIVERSHIP.

ıder an order of the court dated November 17, 1913, the receiver e Brownsville was authorized to borrow during the year expiring ember 15, 1914, not to exceed $750,000 to be used in the im- ement, renewals, repairs, and betterments of the property, and sue receiver's certificates therefor bearing interest at 6 per cent. was authorized to immediately issue and sell $250,000 of these ficates. The balance are to be disposed of only under future rs of the court. Accordingly $250,000 of such certificates were to J. D. O'Keefe, receiver of the New Orleans, Texas & Mexico road, at a price of 98.26 per cent, and the proceeds were placed on sit in banks to the credit of the receiver of the Brownsville.

ie proceeds of this sale have been largely expended for new rails, and ballast, but the bills have not been paid. The floods of ber considerably damaged the property in the Guadalupe Valley. airs had been effected when the floods of December again worked iderable destruction to the line, including the repaired section he Guadalupe Valley. Excluding the expenditures made neces- by the recent floods, it is estimated that the sum of $1,196,715 be required for additions and betterments to the property, in- ing the Victoria branch and the Heyser-Austwell extension, the e important of which are:

ıst	$500,000	Miscellaneous tracks and buildings	$50,000
ning banks	50,000	300,000 ties	225,000
ges	66,000		
iles of 80-pound rail	100,000		

ash in the sum of $243,837.35 has been received by the receiver November 30 applicable to transactions prior to the receivership, le disbursements during the receivership for indebtedness due r to July 5 amount to $507,395.51, consisting principally of fic balances, pay rolls, and vouchers for the purchase of material. cash in bank to the credit of the receiver on November 30 ap- ximated $350,000, which includes the proceeds of the sale of 0,000 of receiver's certificates. The current and deferred liabil- s on October 31, excluding November payments and notes with erest due the New Orleans, Texas & Mexico Railroad, amounted to 8,471.86, divided as follows:

fic balances	$71,510.25	Equipment trust notes	$24,000.00
ited vouchers	488,875.42	Due various	5,508.52
aid wages	15,852.45	Other deferred items	5,327.88
tals	7,348.81		
es, not due	20,048.53	Total	638,471.86

New Orleans, Texas & Mexico Railroad Company.

The New Orleans, Texas & Mexico Railroad Company was in porated under the laws of the State of Louisiana, May 8, 1 under the name of the Colorado Southern, New Orleans & Pa Railroad Company, hereinafter referred to as the Colorado South On March 21, 1910, the stockholders voted to change the nam the company to the New Orleans, Texas & Mexico Railroad Comp The capital stock of the original company was $5,000,000. October 18, 1905, a contract was executed between the Colo Southern and the Gulf Construction Company of Delaware for construction of a line of railroad from Port Allen to De Quincy, and a branch from Sour Lake to Humble, La. The construc work was assigned by the construction company to Kenefick, H mond & Quigley. An issue of $12,000,000, 20-year, 4½ per bonds dated November 1, 1905, was authorized, $7,500,000 of wl were to be delivered to the Gulf Construction Company from tim time to reimburse it for the construction of the line. Capital st representing $5,000,000 was also to be delivered to the Gulf struction Company January 22, 1906, for executing a track contract and for depositing with the trustee certain stocks and bo of the Beaumont, Sour Lake & Western and the Orange & No western Railroads, which securities apparently had been acqu by it.

An agreement was entered into between the Colorado Southern the Gulf Construction Company under date of April 14, 1906, cance the contract of October 18, 1905. Under the new agreement the struction company assigned all of its assets, except its right to stock, notes, and all money held by it, to the Colorado Southern, wl company also assumed the liabilities of the construction comp The Colorado Southern agreed to pay the construction comp $2,200,000 in cash and to release it from all liability under the struction contract, which was now assumed by the Colorado South

The Gulf Construction Company was incorporated under the l of the State of Delaware October 5, 1905, and was dissolved May 1906. The officers of the company were as follows: President treasurer, C. W. Hillard; vice president, J. L. Wolcott; secret Jno. W. Dixon; assistant secretary and treasurer, W. F. Hull; sistant secretary, F. W. Dubrouillet.

The early history of the construction of the Colorado Southern an relations with the Gulf Construction Company is not very clear. president of the Gulf Construction Company was C. W. Hillard, was also vice president of the Frisco and Chicago & Eastern Illi Railroad Companies. The secretary and assistant secretary of construction company, J. W. Dixon and W. F. Hull, respectiv were also officials of the Frisco.

he testimony elicited from Mr. Hillard threw but little light upon original purpose and the subsequent transactions of the construc- company before its dissolution after an existence of about eight iths. It obtained from the railroad $2,200,000 in cash and in rn delivered to it $19,500 in stock of the Beaumont, Sour Lake Vestern Railway and $31,500 in stock of the Orange & North- tern Railroad, the balance, excepting $375,000 profit, it is claimed expended for engineering, surveying, franchises and charter for railroad company.

is stated that the Gulf Construction Company was a stock com- y with $3,000,000 capital stock fully subscribed, and that the ney necessary to conduct its operations was furnished through ir & Company of New York, and T. Jefferson Coolidge of the Old ony Trust Company of Boston, Mass. An investment of $50,000 account of C. W. Hillard in this company was made by the banking rests involved, and upon the liquidation of the assets of the con- ction company at its dissolution Hillard received a payment roximating $5,500 as his proportion of the profits of the enterprise, ch are stated to have been $375,000. B. F. Yoakum was also rested in the construction company to the extent of a subscrip- of $250,000, which would make his proportion of the profit ,250.

n agreement was executed between the Colorado Southern and Kenefick of the subcontracting firm dated August 20, 1905, erein the Colorado Southern transferred all its rights to control taxes which might have been or might be voted by any parish, d, or municipality of Louisiana in aid of the construction of the road lines. In return Kenefick was to convey all the necessary it of way, station grounds, and lands required by the railroad ipany between Port Allen and DeQuincy, La., not including ter- als at either place. August 30, 1905, Kenefick assigned his interest this agreement to B. F. Yoakum, and on March 19, 1906, Yoakum nsferred his interest to the Gulf Construction Company, part of ie having previously been transferred to one L. S. Berg, to whom Colorado Southern later agreed to pay 10 per cent of all taxes ed to aid the railroad prior to June 1, 1906, in settlement of his im under the contract.

n agreement was entered into between the Frisco and the Colorado ithern, dated April 14, 1906, under which the Colorado Southern s to reduce its capital stock from $12,000,000 to $2,000,000, and sell $1,994,000 of the par value of its capital stock and $8,500,000 of first mortgage bonds to the Frisco for $7,077,000. The bonds re to be dated April 18, 1906, due November 1, 1925, and to bear per cent interest. The Frisco further agreed to immediately pay 476,950 of this amount as part of the purchase price for $1,994,000

of the capital stock and $1,000,000 of the bonds. This money was be used by the Colorado Southern to discharge all its liabilities contract obligations for construction, and to purchase stocks ai bonds of the Beaumont, Sour Lake & Western and Orange & Nort western Railroads. From the funds so received from the Fris the Colorado Southern was to deliver to the construction compai $2,200,000 in settlement of all claims and cancellation of contrac In order to obtain the funds necessary to conduct this financing t Frisco issued a series of five-year 5 per cent notes dated January 1906, aggregating $7,500,000, which were sold to Blair & Compai at 94.36, the cash proceeds amounting to $7,077,000.

The Frisco assumed active control of this property early in 19(through the election of A. J. Davidson as president and under a lea dated April 30, 1907, leasing the property to the Frisco for 999 yea The property was separately operated for account of the Colora Southern. The lease was subsequently canceled.

Prior to March 1, 1910, advances were made by the Frisco to a for account of the Colorado Southern amounting to $25,827,677. In return for such advances as were made direct to that compa notes were, in some instances, executed in favor of the Frisco. Ca was advanced by the Frisco from the sale of $7,500,000 of Fris notes which were liquidated by stocks and bonds hereinbef described. These advances were for construction purposes and furnish funds to finance extension and construction work on t Beaumont, Sour Lake & Western Railway and the Orange & Nor western Railroad, and to acquire the securities of the St. Lou Brownsville & Mexico Railway. The advances to the former t companies were funded by them through the issuance of their secu ties to the Colorado Southern.

A summary of such advances to March, 1910, follows:

Advances for construction, etc	$4,954,854 3
Less cash payments	501,060 8
	4,453,794 5
Interest on Colorado Southern, New Orleans & Pacific notes	466,980 5
Advances to acquire bonds of Beaumont, Sour Lake & Western and Orange & Northwestern	574,354 7
Interest on Colorado Southern, New Orleans & Pacific bonds, Sept. 1, 1909, to Mar. 1, 1910	191,250 0
Advances to redeem equipment trust series "A," with interest	518,400 0
Frisco 5-year 4½ per cent notes issued to place funds in the hands of Colorado Southern, New Orleans & Pacific Railroad	7,500,000 0
Payment to St. Louis Union Trust Company for account of the Colorado Southern, New Orleans & Pacific Railroad, to acquire stock and bonds of St. Louis, Brownsville & Mexico Railway	12,122,897 2
	25,827,677 9

order to reimburse itself for these advances the Frisco, on May 910, authorized an issue of bonds of $50,000,000, dated March 1, known as the Frisco-New Orleans, Texas & Mexico Division first gage 30-year bonds. These bonds are a Frisco liability and are ect lien on the New Orleans, Texas & Mexico Railroad, and an ect lien on the St. Louis, Brownsville & Mexico Railway, the mont, Sour Lake & Western Railway, and the Orange & Northrn Railroad, the stocks and bonds of these companies having acquired and deposited with the trustee as collateral security r this mortgage. Of these bonds $26,000,000 were authentid and delivered to the Frisco in reimbursement for advances by it to the Colorado Southern.

bsequent advances, evidenced by notes of the New Orleans, s & Mexico Railroad, were made by the Frisco to the New ns, Texas & Mexico Railroad, the successor of the Colorado hern, which aggregated on May 31, 1913, $6,587,074.74. These nces represented interest on the New Orleans, Texas & Mexico road bonds paid by the Frisco for account of the New Orleans, s & Mexico Railroad, cash for the current needs of the latter pany, and interest on its notes. Cash payments of $289,296.30, Frisco-New Orleans, Texas & Mexico bonds amounting to 58,593.35, were applied to payment of this indebtedness, leaving lance of $4,229,185.09 due the Frisco on May 31, 1913.

dditional advances were made to the New Orleans, Texas & ico Railroad by the Frisco exceeding $1,000,000. A portion of debt was liquidated by cash payments and bonds, but the balance remaining unliquidated on May 31, 1913, was $657,304.41.

nce the present series of mortgage bonds of the New Orleans, as & Mexico Railroad was issued interest thereon has been paid he Frisco approximating to March, 1913, the last interest period which the interest was paid, $4,000,000. A portion of this was liquidated by notes which were subsequently liquidated in by additional bonds.

is thus seen that the Frisco has advanced to and on account he south Texas lines more than $33,000,000, of which amount e is still due $4,229,185.09 on notes and $657,304.41 that is not red by notes, a total of $4,886,489.50. About $28,582,000 of indebtedness was liquidated by the Frisco issue of New Orleans, as & Mexico Railroad bonds, all of which, excepting $450,000, e sold at prices of 90 and 91, resulting in discounts and commiss of $3,130,650. If the notes and accounts are not paid the loss this account will total more than $8,000,000.

he New Orleans, Texas & Mexico Railroad appears to have been d as a distributor of funds advanced by the Frisco. On May 31, 3, the New Orleans, Texas & Mexico Railroad carried in bills

receivable due from the St. Louis, Brownsville & Mexico Railw the Beaumont, Sour Lake & Western Railway, and the Orange Northwestern Railroad, $1,988,182.61, representing that port of the advances made by it to those companies which had not b liquidated by stocks and bonds of the debtor companies. Additio notes of those companies amounting to $887,373.96 were cance in June, 1911, by charging the amount to the cost of the stock of th companies.

The New Orleans, Texas & Mexico Railroad consists of a m line from De Quincy to Anchorage, La., 137.47 miles; a bra from Eunice to Crowley, La., 22.37 miles; a branch from Erw ville to Mix, La., 12.88 miles; trackage rights from Anchorage New Orleans over the lines of the Yazoo & Mississippi Valley R way and the New Orleans Terminal Company, approximately miles; and trackage rights from De Quincy, La., to the Texas St line, 18½ miles, over the Kansas City, Shreveport & Gulf Railw via which line a connection is made at Beaumont with the Be mont, Sour Lake & Western Railway. The total operated mile for the period ended May 31, 1913, was 285.87 miles.

The capitalization of this company on May 31, 1913, consiste $2,000,000 of capital stock, $28,582,930.01 of (Frisco issue) mortg bonds, all of which were issued by the Frisco to itself but are a on the property of the New Orleans, Texas & Mexico Railroad, $1,887,561.70 equipment trust bonds, a total of $32,470,491.71. addition to this it owed the Frisco notes and accounts aggregat $4,886,489.50. The capital assets at the same period amounted $32,946,816.96, divided as follows:

Cost of road	$11,544,792.21
Cost of equipment	3,903,425.93
Cost of stocks owned	2,583,354.58
Cost of bonds owned	14,915,244.24
Total	32,946,816.96

The operation of the New Orleans, Texas & Mexico Railroad the past four years to May 31, 1913, shows a deficit for each yea follows:

1910	$427,926.89
1911	369,417.03
1912	502,982.73
1913, to May 31	314,284.37

The deficit in the profit and loss account for the years 1910 1911, amounting to $751,590.03, representing the operating de with certain adjustments applied thereto, was charged to the cos property. The operating loss for 1912 and 1913 to May 31 amoun to $817,267.10.

A receiver for the New Orleans, Texas & Mexico Railroad was pinted July 5, 1913, in the person of Mr. J. D. O'Keefe of New ns, La., on the petition of the New York Trust Company, ee under the Frisco-New Orleans, Texas & Mexico Division gage.

on taking possession of the property the receiver found it neces- to spend a considerable sum to liquidate current rental obliga-, make necessary improvements, and provide adequate facilities which to handle the traffic offered. To provide the funds red for this purpose the court authorized an issue of $2,000,000 year receivers' certificates bearing interest at the rate of 6 per this amount representing the needs of the properties to October 914. Certificates for $850,000 were sold at a discount of 2 per and interest and the proceeds were appropriated as follows:

ed equipment trust notes and interest	$194,356.07
l due July 1, 1913, with interest, for use of Yazoo & Mississippi ley R. R. tracks	70,403.18
l due July 1, 1913, with interest, for use of Illinois Central R. R. ks	3,054.03
l due July 1, 1913, with interest, for use of property New Orleans minal Company	33,824.15
vements on lines of N. O., T. & M. R. R	165,109.72
ces to receiver St. L., B. & M. Ry	245,656.40
ces to receiver B., S. L. & W. Ry	122,828.20
Total	835,231.75

e amounts advanced to the receiver of the St. Louis, Brownsville exico Railway and the Beaumont, Sour Lake & Western Railway based upon proof of the immediate needs of the receiver of these panies and not upon their ultimate requirements. Receivers' ficates were issued in both instances to the receiver of the New ans, Texas & Mexico Railroad, the advance representing 98.26 ent of par.

sh applying on transactions prior to the receivership in the of $213,981.89 has been paid to the receiver, of which $193,686.02 been disbursed. These receipts and disbursements apply pri- ly to traffic balances. Earnings from the operation of the prop- since the date of the receivership have been used to defray nses of operation, any excess funds being on deposit in various ks.

Other South Texas Lines.

addition to the holdings of the Frisco in the New Orleans, Texas exico Railroad, it also holds, through the medium of that com- y, control of the Beaumont, Sour Lake & Western Railway, the nge & Northwestern Railroad, and the St. Louis, Brownsville

& Mexico Railway companies. These lines, in connection with tr age rights over various lines enumerated below, form a through between New Orleans, La., and Mexico via Brownsville, Tex. mileage of the through line is divided as follows:

Name of company.	Miles owned.	Track-age.	T ope
Beaumont, Sour Lake & Western Ry	84.29	34.05	
Orange & Northwestern Railroad	61.55	1.12	
St. Louis, Brownsville & Mexico Ry	471.80	45.94	
Total	617.64	81.11	
Mileage operated by the New Orleans, Texas & Mexico makes an aggregate mileage of the south Texas lines	172.72	113.15	
	790.36	194.26	

The trackage rights are over the following roads:

Yazoo & Mississippi Valley Railway and New Orleans Terminal Company: Anchorage to New Orleans, La

Kansas City, Shreveport & Gulf and Texas & Fort Smith Railways: De Quincy, La., to Beaumont, Tex

Gulf, Colorado & Santa Fe Railway: Algoa, Tex., to a point near Houston, Tex

Houston Belt & Terminal Railway at Houston

Total through-line trackage 1

The outstanding securities of the Beaumont, Sour Lake & Wes Railway and the Orange & Northwestern Railroad on May 31, 1 were as follows:

Name of company.	Stock.	Bo
Beaumont, Sour Lake & Western Railway	$85,000	$2,007
Orange & Northwestern Railroad	35,000	1,066

All of the stock of the above-named companies except quali directors' shares, and all of the bonds, are owned by the New Orl Texas & Mexico Railroad, in addition to which the two comp are indebted to the New Orleans, Texas & Mexico Railroad t extent of nearly $2,000,000, representing bills payable issue advances and interest. Like the other Frisco properties in s Texas and Louisiana these lines have been operated at a loss deficits for the year 1912 being as follows:

Name of company.	De 1
Beaumont, Sour Lake & Western Railway	$18
Orange & Northwestern Railroad	10
Total	29

he gross operating revenues per mile of road and the average nues per ton-mile of the companies named for the fiscal year d June 30, 1912, were:

Name of company.	Revenue per mile.	Revenue per ton-mile.
ont, Sour Lake & Western Ry.	$6,041.55	$0.01009
e & Northwestern R. R.	2,239.52	.01567

hese two properties are in the hands of Receiver Frank Andrews.

North Texas Lines.

hrough direct ownership of securities the Frisco controls the erties of the north Texas lines, composed of the Paris & Great thern Railroad, the St. Louis, San Francisco & Texas Railway, Fort Worth & Rio Grande Railway, and the Brownswood North outh Railway. The affairs of these properties are administered W. C. Nixon, president of the first-named company, and Avery ner and G. H. Schleyer, receivers for the last three named comies. The combined operated mileage of the properties is 513.4 s, divided as follows:

Name of company.	Miles owned.	Trackage.	Total mileage operated.
& Great Northern R. R.	16.94		16.94
ouis, San Francisco & Texas Ry.	85.32	158.27	243.59
Worth & Rio Grande Ry.	223.44	11.78	235.22
nswood North & South Ry.	17.65		17.65
Total	343.35	170.05	513.40

he outstanding securities of these companies on May 31, 1913, e as follows:

Name of company.	Stock.	Bonds.
& Great Northern Railroad	$500,000	$339,000
ouis, San Francisco & Texas Railway	804,000	1,188,000
Worth & Rio Grande Railway	2,928,300	4,467,000
nswood North & South Railway	225,000	91,000

With the exception of the Paris & Great Northern Railroad the ration of these companies has not been profitable, as is evidenced the deficits for the year 1912 and the total deficits carried in the plus accounts:

Name of company.	Income deficit 1912.	Total deficit to June 30, 1912.
s & Great Northern Railroad	[1] $105,814.13	[1] $404,895.30
ouis, San Francisco & Texas Railway	271,815.12	1,559,085.21
Worth & Rio Grande Railway	204,512.66	[1] 348,837.35
wnswood North & South Railway	3,045.24	3,045.24

[1] Surplus.

The principal deficit of these companies is that of the St. Lou San Francisco & Texas Railway. The results of operation of th company for the past six years show the following deficits:

Year.	Deficit.	Year.	Defici
1908	$152,239.12	1912	$271,81
1909	186,245.92	1913	173,54
1910	300,382.28		
1911	409,771.82	Total 6 years	1,494,00

Among the fixed charges against the income of the St. Louis, S Francisco & Texas Railway Company are those of rentals of track from the Chicago, Rock Island & Gulf Railway, the Gulf, Colorado Santa Fe Railway, and the Houston & Texas Central Railroad, agg gating 158.18 miles.

The Frisco has been called upon from time to time to assist t company financially, and this has been done by permitting the Louis, San Francisco & Texas Railway Company to retain frei traffic balances due the Frisco. From March, 1908, to February, 19 accumulated freight traffic balances due the Frisco from this compa amounted to $1,276,758.20. This amount was reduced from time time by drafts of the Frisco upon the St. Louis, San Francisco & Te Railway, when the funds of that company would permit, to the ext of $208,599.51, leaving a balance of $1,068,158.69. On March 1, 19 the St. Louis, San Francisco & Texas Railway Company issued to Frisco its demand note for $1,142,318.69 to cover the nonliquida traffic balances and for notes with interest aggregating $74,160, wh were paid for it by the Frisco. Since the issuance of this note ad tional freight traffic balances due to the Frisco amounting to $1,05 852.92 have accumulated to May 27, 1913, and are unpaid. The sults from operation of the Texas company afford but little prom that the Frisco can collect these amounts.

The following are the gross operating revenues per mile of road a the average revenues per ton-mile of the companies named for fiscal year ended June 30, 1912:

Name of company.	Revenue per mile.	Reven per to mile
Paris & Great Northern R. R	$14,702.68	$0.01
St. Louis, San Francisco & Texas Ry	5,354.29	.09
Fort Worth & Rio Grande Ry	3,915.17	.04
Brownswood North & South Ry	353.57	.07

O